Budget support and policy/political dialogue
Donor practices in handling (political) crises

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Table of Contents

Abstract

Budget support entered the aid scene at the turn of the millennium and it is considered as the aid modality par excellence to foster ownership and more effective aid through institutional reform. In 2008-2009 a number of political events in aid receiving African countries however pointed at the difficult relation between budget support and (political) governance. The paper analyzes donor policies and practices surrounding policy/political dialogue and budget support and offers a number of policy recommendations on where and how to deal with "political" issues. Based on a desk study carried in March-May 2010 at the request of the Belgian Directorate-General for Development Cooperation, the paper presents a substantial analysis of Mozambique and Zambia where two recent political crises were successfully resolved by five donor countries. The authors argue that using budget support to drive both democratic and economic change is hazardous. Acknowledging the synergy between policy and political dialogues, the paper posits that technocratic and democratic issues should be separated because there are obvious trade-offs between them. Democratic governance issues should be dealt with in a separate high level forum, and in a pro-active rather than reactive way. In addition, donors need to ensure their interventions do not undermine recipient countries efforts to democratize. In effect, they should lower their ambitions: 1) with regard to what they can do: change cannot be bought, it can only be supported; 2) with regard to what recipient governments can do: even when there is commitment, change is most often gradual, not in big leaps. If anything, politics and political savvy should be brought in more, because every reform (however technocratic) is profoundly political.

ABSTRAIT

L'aide budgétaire a fait son entrée sur la scène de l'aide internationale au tournant du millénaire et est considérée comme la modalité d'aide par excellence pour favoriser l'appropriation ainsi qu'une aide plus efficace par le biais d'une réforme institutionnelle. En 2008-2009, un certain nombre d'événements politiques survenus dans des pays africains bénéficiaires d'une aide ont toutefois montré la relation difficile entre l'aide budgétaire et la gouvernance (politique). Ce document analyse les politiques et pratiques des donateurs autour du dialogue politique et de l'aide budgétaire et apporte un certain nombre de recommandations politiques sur la façon dont il faut traiter ces questions « politiques » et à quel niveau. A partir d'une étude de bureau menée de mars à mai 2010 à la demande de la Direction générale de la coopération et du développement en Belgique, le document présente une analyse significative du Mozambique et de la Zambie, où deux crises politiques récentes ont été résolues avec succès par cinq pays donateurs. Les auteurs avancent le danger du recours à l'aide budgétaire pour commander le changement démocratique et économique. Reconnaissant la synergie entre politique et dialogues politiques, ce document plaide pour la dissociation des questions technocratiques et démocratiques en raison des compromis évidents qui les séparent. Les questions de gouvernance démocratique devraient être traitées séparément dans le cadre d'un forum de haut niveau, de façon proactive plutôt que réactive. En outre, les donateurs doivent s'assurer que leurs interventions n'anéantissent pas les efforts de démocratisation fournis par les pays bénéficiaires. De fait, ils devraient modérer leurs ambitions : 1) quant à ce qu'ils peuvent entreprendre : le changement ne s'achète pas, il ne peut qu'être appuyé ; 2) quant à ce que les gouvernements bénéficiaires peuvent entreprendre : même avec un engagement, le changement se fait de façon progressive, non pas à grands pas. Plus que tout autre chose, politique et savoir-faire politique devraient davantage être menés à bien, car chaque réforme, bien que technocratique, se veut profondément politique.

1. INTRODUCTION

Budget support (BS) is considered the aid modality par excellence to foster owner-ship and more effective aid through institutional reform. In light of the High Level Forum 4 in Busan, Korea (2011) and the progress on implementation of aid effectiveness commitments lag-ging behind, budget support has become a hot topic on the EU-donors' agendas in 2009/2010.

In 2008-2009 a number of (political) events in recipient countries pointed at the difficult relation and division of powers between political dialogue, policy dialogue and the han-dling (suspension or not) of BS. More specifically, the cases of Rwanda 2008-2009, Senegal 2008-2009, Zambia in autumn 2009 and most recently Mozambique mid-end November 2009, led to some discussion at the level of the EU-EC with regards to the usefulness and practicality of a strict separation between Budget Support policy dialogue and the political dialogue. Some donors feel that a strict separation is not effective. They consider that in moments of political crisis all available channels for political dialogue should be used, suggesting that budget sup-port gives a leverage that should be exploited, and that the key issue is about having an effective and rapid response to serious events and using the best available mechanisms to get corrective action as quickly as possible. The question at hand is thus: what can budget support do/undo, how should it be used in moments of crisis, and which fora should be used to tackle different gov-ernance issues. This study looks into donor policies and practices surrounding policy/political dialogue and BS. Documenting these recent events is expected to give important insights and inputs to Belgian Development Cooperation's further positioning on the topic of 'budget support and policy/political dialogue'.

The objectives of this study were to:
· analyze donor policies regarding BS and how donors deal with political risks on the recipient side.
· reconstruct donor reactions in two cases where a political crisis has presented itself – and, where possible, gain insight on the perceived effects of donor practices on recipient governments (important to mention is that besides reconstructing factual actions and reactions, this study draws a lot on donor perceptions: on the causes and consequences of the political crisis, on the quality and structure of the negotia-tion processes, on the problems, challenges and gains of donor coordination in case of a political crisis).
· confront policies and practices and mirror these against the broader debate sur-rounding aid effectiveness principles (particularly relating insights to debate on conditionalities, the goals of harmonization and elements of mutual accountability like predictability).

It was not the goal of this study to focus and label practices of donor X and Y. The donor documents and practices were instrumental in trying to identify emerging patterns, mak-ing abstraction of a particular donor as such. In other words, not the donor was the object of study, the patterns were. A short study of two country cases (Zambia, Mozambique) where donors disagreed on whether or not there was a breach of 'underlying principles' or of similar budget-support related commitments (e.g., cases of flagrant corruption), and where donors at-tempted to use political/policy dialogue (alone or in concertation with other donors) in order to convince the partner country government to take steps to change the situation.

We studied policy documents on BS and suspension of BS of 5 donors[1]. The selection of these donors was done in a case sensitive manner. The final decision was taken by DGOS. This paper cannot reveal which donors have been studied as full anonymity was asked by the agencies and guaranteed by the researchers. We gathered information on the crises of two cases (Mozambique & Zambia). We interviewed 13 people from 5 donor agencies, mainly people from head quarters and in some cases people from the field. All interviews were done by telephone/skype.

This study has obvious limits. The first one was the very narrow time line. The Terms of Reference were finalized by March 15th 2010, and the first deadline for the study was May 17th 2010. That date we presented the preliminary findings during a DGDC organized workshop in which the Budget Support Experts of various member states participated. The final paper was due on July 15th 2010. The second limit is that this study cannot serve representative purposes. It is limited in scope (limited number of people we spoke to, limited number of donors (5), only two case studies) and exploratory in nature. The third and most important limit of this study was the availability of information. Reconstructing donor reactions in these two cases which were so 'fresh' meant that we would have to rely mainly on information from the donors themselves like political risk assessments of the recipient country, assessments of the crisis itself, telops between field and head quarters, mail exchanges, letters, etc.... For obvious reasons, this information is usually not to be shared with outsiders. So beyond the publicly available policy documents, we had to rely mainly on the information shared during interviews, which were limited in quantity but also in time.

Important to mention however, is that most of the people we talked to were exceptionally open, critical and frank in discussing the topic at hand. This was a major advantage for us as it allowed us to enrich our analysis and understanding. This paper is, upon request of the donors themselves, completely anonymized. The anonymity-guarantee also helped interviewees to open up and speak off-record, which was exactly what this study needed. This paper only mentions specific agencies when the information concerned is already publicly available.

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[1]   Due to time constraints it was impossible to study more donors: the TOR were approved on March 15th 2010, the presentation of the preliminary results took place on May 18th 2010.

2. ON GOVERNANCE AND BUDGET SUPPORT: DONOR VISIONS AND SCIENTIFIC INSIGHTS

2.1. The governance concept: definitions matter

Donors differ in how they define and catalogue concepts. In most donor documents references will be found regarding the importance of governance, but the meaning and structuring of the concept varies in important ways. Interesting is that donors make a sharp distinction between political and technocratic governance. And although most donors refer to human rights, elections, free press and media, as important features of political governance, there seems to be less uniformity when it comes to cataloguing corruption for example, or decentralization. For some these issues are part and parcel of political governance, others approach it more as a technocratic dimension. From a donor perspective, the labeling of issues is not a trivial matter, because it might determine: the forum in which this should be discussed (political dialogue or policy dialogue), who has to be involved (technocrats or politicians/diplomats) and which kind of measures (political/technocratic) have to/can be undertaken when things go wrong.

For the sake of clarity, it is important that this study does not get lost in a conceptual limbo while trying to apply different donor conceptions of governance. We therefore propose an alternative conceptualization which is altogether a bit different from donor definitions, but hopefully a constructive way in dealing with the conceptual contradictions between donors. Instead of speaking about political governance, we will use a concept that is a lot narrower: 'democratic governance'. There are three good reasons for doing this:

If it is important to catalogue issues under one label or another (like political or technocratic governance) it is important that both categories are mutually exclusive, if not labelling would be relatively useless to begin with. Technocratic and political governance are however not mutually exclusive categories. Quite the contrary, they overlap to a very large extent if not fully. Politics is defined as all those activities of cooperation, conflict, bargaining over the production, allocation and distribution of tangible and intangible resources (Leftwich 1996). Politics is about power, about who gets what, when and how. Politics always entails preferences, it's about making choices (Hyden 2005). From that perspective, technocratic governance is profoundly political, because when it comes to designing and implementing macroeconomic policies, composing the budget, dealing with sector reforms, public finance management, etc there are always choices to be made, between policies, between priorities, between goals and objectives. In fact, there are only very few dimensions in life which are not political. Purely technical decisions (like how to lower inflation) tend to have one solution for one problem, hence no politicking is needed if the problem is to be solved. But most reforms are not technical. Bearing in mind that that every technocratic intervention is profoundly political might also help donors in accepting that expertise alone does not lead to change. Now more than ever political savvy is needed in every area of intervention, because aid wants to be a leverage for reform and structural changes.

Democracy and democratic governance relate to one specific political system. Democracy is one way of getting and losing access to decision making power. Its main features are free and fair elections, respect for human rights (including freedom of press). Although quite often a direct link is made between transparency and democracy (the most democratic countries seem to be the most transparent according to Transparency International), there is less convinc-

ing evidence of the causal elements that lead to lower corruption. Is it economic growth which leads to a restructuring of society, higher demands for transparency and subsequently democratization? Or is it democratization that boosts a decline in corrupt behaviour? There is no conclusive evidence here, but the experience in sub-Saharan Africa seems to suggest that the transition to electoral democracies not necessarily implies a drop in corruption (Menocal 2007). For sure corruption is a political act. It is the use of power to circumvent existing rules, regulations and procedures, it is a highly personalized and arbitrary way of giving access to resources, etc... But at the same time there is no waterproof political system which prevents it from happening. From a somewhat more pragmatic perspective, the aid business and how it borders with diplomacy, seems to be more comfortable tackling corruption from a somewhat more technocratic way (like the funding of the creation of an ombuds office, strengthening the general auditor's office, etc) which have a less intrusive sound to it than say demanding elections to tackle corruption. For all these reasons, we catalogue corruption under the technocratic governance dimension.

By clearly distinguishing democratic and technocratic governance, we are able to avoid confusion and to conceptually distinguish two mutually exclusive labels. It is important to stress that the distinction is conceptual, for in the real world and in daily practice most of these issues are linked to each other. Therefore, tackling one issue (say press freedom, or the strengthening of parliament, civil society) may have important consequences for other issues (corruption, PFM, macroeconomic policies, rule of law).

The table below summarizes our definition of governance and our understanding of the contents of technocratic and democratic governance.

Table 1:   *Composition of the governance concept used in this study*

Governance	
Technocratic governance	Democratic governance
national development strategy, PRSP... macro economic framework procurement PFM, MTEF... sector policies transparency, corruption rule of law...	elections parliament political parties human rights media conflict political stability peace...

2.2.   Donor visions on the role of budget support: a limited consensus

Donors in general seem to agree on what aid should contribute to in the long run. In the long run, low income aid dependent countries are expected to also enjoy high socio-economic standards, high levels of human development, consolidated democratic institutions, a culture of respect and tolerance. In Fukuyama's words, the end goal is this mythical, post card version of Denmark, where citizens are free from fear and want, where life is good and institutions performant and just. Development cooperation wants to contribute to this. But how does one get there? Which path leads to "Denmark"? And how does this translate into 'what to start with next Monday at the office'?

Going through the different documents, and having listened to our interviewees, it seems that most agree that governance matters greatly for development. And in terms of aid modalities, budget support (BS) has obvious advantages for reform: it is flexible, it respects ownership, it is the most coordinated and aligned way of doing aid. But different downsides were mentioned during the study:

- First, BS has strong symbolic and political connotations. As it is on and through budget, it becomes closely linked to funding the government in power, a regime, maybe even a party in power. BS therefore symbolizes trust in the government and its policies.
- Secondly, BS is risky business: aid is fungible and BS extremely so. There are quite some fiduciary risks.
- Thirdly, BS is difficult to follow in terms of results. Measuring attribution is impossible and it therefore creates its own set of accountability challenges for donors.

Less consensus can be found on the sequence of reforms in order to get to "Denmark". And this disagreement is one we find in the scientific literature as well. Are sound technocratic reforms more important, or more conducive to development in the broad sense of the word? And will a democratic setting emerge in these better-off societies? Or is it the other way around? And how must one use conditionalities, which conditionalities, and when? We will tackle these questions in the remaining part of this paper.

The diverging visions on how to get to Denmark is very notable when comparing the BS eligibility criteria of donors. Although all five donors in our sample feel that 'a sound poverty reduction strategy or development plan' should be in place and that a minimal quality of public finance management (PFM) should be guaranteed before moving into flexible forms of BS aid, the rest of the eligibility criteria vary widely.

Table 2: **BS Eligibility criteria: similarities and dissimilarities between 5 donors**

Technocratic Governance Eligibility Criteria	Donor 1	Donor 2	Donor 3	Donor 4	Donor 5
Sound development Plan	X	X	X	X	X
PFM	X	X	X	X	X
Macro economic framework	X		X		X
Quality economic governance – corruption		X	X		X
Quality institutions - country capacity					X
Need for aid – reliance on aid					X

Democratic Governance Eligibility Criteria	Donor 1	Donor 2	Donor 3	Donor 4	Donor 5
Human rights, democracy		X*	X*	X	X

*explicit reference to human rights

The above table shows that the donors in our sample handled a number of eligibility criteria from minimally three to up to seven. Some donors only use technocratic criteria, other donors add democratic eligibility criteria. Eligibility criteria reveal crucial issues for and of donors. On the one hand it reveals information on donor visions of things that have to be in place on the side of the recipient which serve as basic guarantees that aid will be put to good use. On the other hand however some criteria serve accountability purposes for donors because they accommodate political concerns voiced by parliaments and public opinion. Eligibility criteria thus serve two purposes: one related to the developmental agenda (recipient side), the other one to the political accountability agenda (donor constituency side)

Those donors that combine several criteria were asked if there is a hierarchy between criteria. In other words, is sound PFM for example more important than, say human rights if these were eligibility criteria. Interestingly enough, most donors in our sample did not apply weights to criteria. The most important argument forwarded on this was that donors wanted to maintain a certain degree of flexibility and autonomy in taking decisions regarding BS. By not specifying eligibility criteria in full details and with clearly established benchmarks, the donor avoids being cornered or pinpointed. The other extreme is that all criteria are equally important and should be fully realized at any moment in time.

The donors in our sample also differed in the way they assess these eligibility criteria: some use very well specified sets of absolute or relative benchmarks (using governance indicators, or CPIA scores, or WB/IMF assessments), others not[2]. The use of benchmarks has the advantage of transparency and predictability, making certain decisions more routinized and mechanical. Its downside is exactly the mechanistic approach which leaves little room for flexibility or more contextualized assessments or interpretations. Using no indicators or benchmarks allows for a lot of flexibility, but at the expense of transparency and predictability.

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[2]   Yet another way of approaching this was brought to our attention during a meeting of BS experts: looking at national tendencies can be contextualized eligibility criteria: only if a set of criteria shows positive evolutions, BS is granted.

In some cases eligibility criteria are assessed annually, in other cases just once before starting BS. Some donors thus use their eligibility criteria as assessment criteria, whereas other donors clearly distinguish between both. The latter point to the principle that once a decision on BS is taken, the commitment is long term and is most often translated in multi-annual BS commitments (spanning three to four years). Assessing the performance of the government is usually tied into the jointly negotiated Performance Assessment Matrix (PAF). The commitment only comes under stress in case an event would occur that destroys the trust relationship between the donor and the recipient. Other donors assess the BS eligibility criteria on an annual basis, which tends to imply that BS is committed annually.

In this respect Adam and Gunning (2002) call for a strong differentiation between the indicators that are used as a basis of aid allocation and those that are used to monitor the interim progress. Triggers can reconcile the tension between flexibility and discipline (Koeberle and Walliser 2006:278). The flexibility gained by specifying only triggers should not be used to introduce new disbursement conditions. Triggers can only be modified when recipient government agrees, but this should never be used as a leverage for other reform (Gunning 2006:297).

For all the donors in our sample, even the ones that have decentralized a lot of decision making powers to the field, it is headquarters that has the final say regarding the provision and the suspension of BS, although inputs from the field are important in informing the decision. But whom in headquarters takes these decisions?

In our small sample of donors there was some variation in the institutional set-up of Development Cooperation. Full integration into the Foreign Affairs Ministry often implies that the Minister of Foreign Affairs has the final say. Given that Foreign Affairs and Development Cooperation may not share the exact same hierarchy of goals (e.g. Foreign Affairs Ministry advances national interests: diplomatic, geostrategic, security concerns versus development cooperation which is closer to the development interests) this may lead to conflicting priorities. A very different set-up - in which development cooperation has a Ministry status - provides more leeway towards the developmental agenda, although in all studied cases coordination between Foreign Affairs and Development Cooperation is crucial in the case of BS provision and suspension.

Suspension of BS is closely related to the Underlying Principles (UPs) as established in the Memorandum of Understanding (MOU). When a breach of UPs occurs, donors will react to this. The question is: what exactly constitutes a breach of UPs? It seems that there is no objective standard for this. The donors we studied differ strongly in this matter. The different definitions of 'breach' we identified are the following:
- A breach is a fundamental and extreme reversal of the political system/situation, like a coup.
- A breach is a deterioration of the UPs.
- A breach is when there is no progress on UPs.

These breach definitions, often conceptualized in head quarters, show substantial differences in 'identifying' or 'labelling' and event as problematic or a crisis. It is therefore not surprising that donors react so differently when confronted with certain events. Harmonizing

diagnostics (when is what a crisis) and cures (what to do about a given situation) therefore is a daunting, if not impossible task.

From a more analytical perspective, we found that the way in which the political UPs figure in the MOU is in and by itself problematic. To start with, the political UPs are very vague: the recipient government is expected to uphold good governance and democracy, to respect human rights, etc. but most low income aid dependent countries are not at all upholding these principles, and certainly not to the fullest extent. Governance problems are huge in these contexts, and not just at the democratic level. In fact, Polity[3] labels these systems as anocracies or hybrid regimes. As such the political UPs as written down in the MOU are, put bluntly, illusions. This is very much shown in the Mozambique and Zambia case (see later). The events which triggered the crisis were not exceptional events. Similar problems have been marking these countries since decades. This however did not refrain the donor community to enter into a BS relationship, yet those same events do carry the potential to suspend BS.

This gap between what is on paper and what is actually on the ground, seems to suggest that these principles might be:
- interpreted differently in what they mean exactly (donors and recipients), and/or
- assessed differently (demanding benchmarks versus not so demanding benchmarks), or
- interpreted as formalistic, standardized expressions (by the recipient).

The donors we interviewed admitted that there is no real negotiation regarding these political UPs in terms of what they mean exactly, or which elements are seen as crucial in these multidimensional concepts. When a breach occures donors different sanction mechanisms. The donors we interviewed mentioned that first of all communication with the government is crucial. So announcing (preferably in a coordinated manner) that a breach has occurred (or may have occurred) and that this might lead to some donor sanctions (ie a expressing the threat) is already important. Next, an intensified dialogue (policy/political) is set-up so as to clearly voice the concerns and identify the areas in which the government must take action so as to restore the confidence. But after that, donors differ widely on how they handle their aid envelopes when a breach has occurred:
- suspending the whole aid envelope (not just BS)
- suspending BS (and divert the envelope to other actors outside government or hand over the envelope to multilateral or other bilateral agencies)
- reducing BS (sometimes including the whole aid envelope)
- delaying BS (and/or aid in general).

Although most of the donors in our sample have a policy which states that - in line with the importance of funding predictability - these 'sanctions' cannot be applied in-year (sanctions are to be realized T+1, the year after), several interviewees stated that if a breach is deemed serious and extreme, the donor agency would not hesitate to completely cut aid immediately.

[3] The polity database (http://www.systemicpeace.org/polity/ssafrica2.htm) shows the evolution of anocracies in Subsaharan Africa: after the end of the Cold War the number of authoritarian regimes declined strongly, but this was not matched by a comparable rise in democracies, but with a rise in anocracies. Anocracies hold regular elections but they are not fully fair or free (the opposition faces serious restrictions like access to funding and getting access to media exposure), there is no real alternation in power, parliament is a rubber stamping institution, the media is manipulated, silenced or exercises auto-censorship, etc...

This is so because the pressure from parliaments and public opinion might become so important that the credibility of the agency crucially depends on its immediate reaction to some events. A way of escaping the pressure, especially when BS is being criticized is to move to lower aid modalities, like Sector BS (SBS) because it is situated closer to the output level. As one interviewee put it: "GBS gets all the pains, SBS gets all the gains". In other words, whenever things go wrong it is because GBS doesn't work, whereas results tend to be attributed to SBS.

2.3.   Tensions unravelled: Using budget support for what exactly?

The most important point of discussion between the donors we interviewed regards the intervention theory behind BS. The table below summarizes two views on BS and analyzes, from the aid effectiveness perspective, the advantages and disadvantages.

The first column, which we will refer to as the technocratic road, emphasizes the role of budget support in strengthening the public sector in its technocratic development. It therefore disconnects BS from the more democratic areas of concern. This implies that BS is not to be used as a sanctioning devise, at least not when there is no breach of UPs. Democratic issues are expected to be dealt with in another forum (political dialogue) with other people (diplomats), different timelines and different sticks and carrots. The best example of this is the Article 8 dialogue under the Cotonou Agreement. The policy dialogue is thus narrowed down to technocratic discussions, mainly inhabited by topical experts.

This approach has some advantages and disadvantages. To start with the advantages, this strong separation between technocratic and democratic areas of reform creates clarity for the recipient because as long as the government is on track with its technocratic reforms, BS will be disbursed as foreseen. Donor funding is thus more predictable and donor behaviour more consistent because disbursement is linked to the targets agreed. The biggest disadvantage is that these fora become too technocratic. Experts may well have substantial knowledge and expertise in certain domains, and they may well be able to write out a brilliant reform, but this does not mean that it will get implemented. Partial, slow or non-implementation is an often recurring problem, and mostly because of political reasons. As such experts often tend to look at politics as an obstacle, as part of the problem. It is not uncommon to find some aversion against politics in these circles. Another way of looking at it however is that a lot of experts miss political savvy, are disconnected from what is politically feasible and the importance of context (Grindle 2007). Politics is in fact part of the solution, but one has to watch close enough in order to identify what is feasible. Closely related to this is the risk that technocratic progress may be undone by lack of progress in the democratic area. The production of economic results for example, the quality of the services delivered may in the long run not be upheld if citizens start to feel disgruntled about the quality of democracy in their country. Another risk is that the forum of policy dialogue (and BS for that matter), to push for technocratic advances, is under-used. Reforms in the technocratic dimension may very well have important positive effects in the area of democratization, but this presupposes that the people involved have sufficient political savvy so as to recognize the window of opportunity and deal with it in the most effective way. Finally, there are also legitimacy issues. If donors only look at technocratic areas of reform and turn a blind eye to democratic shortcomings, the public opinion, in the recipient country, but also in the donor country might feel that the donor is supporting a regime that has no legitimacy.

Table 3:   *BS intervention theories*

	BS as a leverage for technocratic governance	BS as a leverage for technocratic and democratic governance
Relation instrument – goals	One instrument, one goal (technocratic areas of reform)	One instrument, two goals (technocratic and democratic areas of reform)
Forum	Policy dialogue, experts	Policy dialogue and political dialogue, experts and diplomats
Advantages	predictable consistent perceived as less intrusive BS is carrot and stick for technocratic progress/decay	flexibility for donors legitimacy/accountability (donor constituency) BS is carrot and stick for technocratic progress/decay
Disadvantages	over-technocratization lack of democratic progress can undermine technocratic gains under-using BS/policy dialogue legitimacy issues (at home and locally)	reactive on democratic governance issues rather than pro-active unpredictable perceived as intrusive legitimacy (locally) overburdening BS BS only as a stick for democratic governance issues bazooka effect

The technocratic road however is, it seems, not the only area of intervention. As mentioned above, it is thought that democratic governance does need attention, but separated from the area of policy dialogue, with other people and other means, and with a time horizon that is a lot longer, given that democracy is something that evolves slowly and needs time to consolidate. The advantages, once again, evolve around predictability and consistency. A clear separation serves the purpose of clarity. Another advantage is that, in the best case, the political dialogue and the policy dialogue feed into and strengthen each other. The downside is, that if both fora are inhabited by very different topics, people and dynamics, there is a chance that they become separated and isolated from each other. In the worst case, they undermine each other.

The second column in the table refers to the, what we call, technocratic and democratic road. Here it is believed that the instrument of BS can serve two goals: technocratic reforms and democratic improvements. The idea is that BS, with its political and symbolic connotations, cannot be isolated to just technocratic issues. When things go wrong in the democratic department (say for example: human rights violations or problematic elections) BS should be used as a leverage there as well. Both the policy and the political dialogue should therefore be used to tackle the issues at hand. Advantages and disadvantages are linked to this intervention theory.
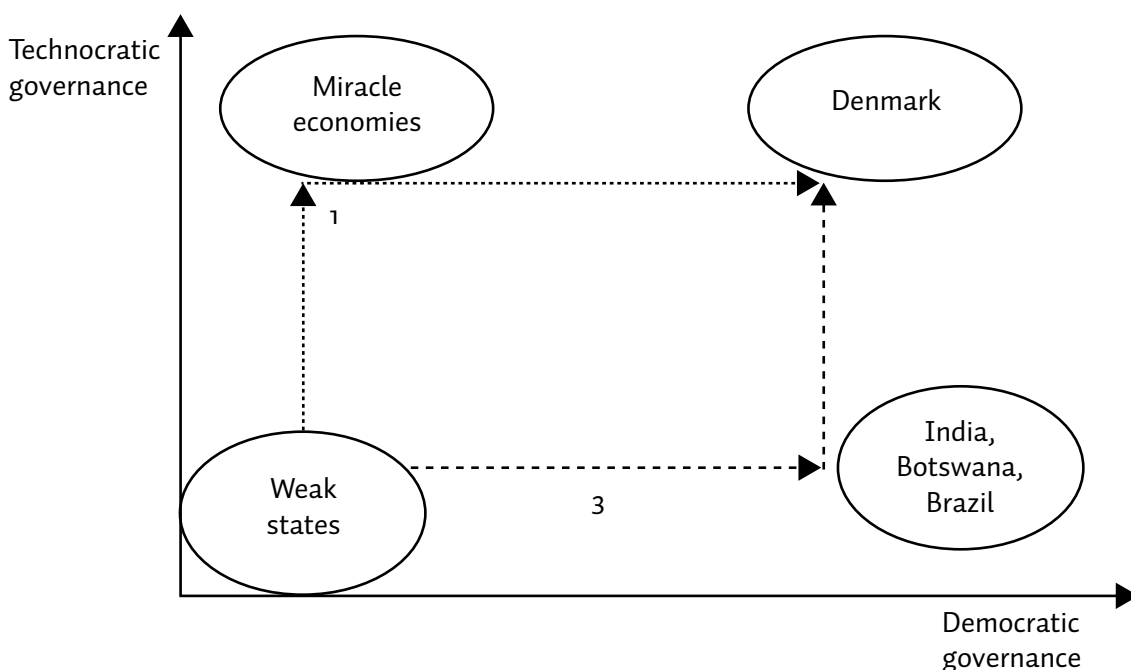
To start with the advantages, it gives the donors flexibility to react to whichever event they might find worrying. This concern with the general democratic performance of a re-

cipient government also fits the concerns of many citizens in the North who do not separate democracy from development. On the side of the disadvantages we have captured the following ideas from interviews. The flexibility for the donor has the downside that it is quite unpredictable for the recipient side. Related to this is that the use of BS for tackling democratic governance issues tends to be mainly re-active, when things go wrong, and then BS becomes a stick. But BS is not used pro-actively in these areas, as such it is not used as a carrot, there is no thought through strategy. When BS is used for both areas of reform (in the technocratic area it is more pro-active, part and parcel of a reform agenda and a strategy – in the governance area it is more reactive, ad hoc, a bit unpredictable) BS runs the risk of being overburdened with too many agendas, which may conflict. Overloading BS with too many different objectives may undermine all the strengths of the modality (mentioned earlier). Finally, if BS is used as a sanction because one area of reform is problematic, the withdrawal may very well cause a huge damage in the other area of reform. Pulling the BS plug thus has a 'bazooka-like effect' even when a 'sniper-like effect' was intended.

2.4. What do we know about development paths? Scientific evidence in a nutshell

Figure 1 shows, in a very summarized way, the scientific evidence regarding the link between democracy and development.

Figure 1: *Summary of scientific evidence on the relationship between democracy and development*

Source: adapted from Global Development Report 2006

Although conventional donor thinking tends to assume that democratic governance is a precondition for economic growth (which is considered a result of good technocratic governance), in history there are only a few cases where democracy clearly preceded growth: India, Botswana and Brazil. The bulk of 'success stories' however followed another path. High

economic growth and impressive poverty reduction has most often taken place in countries that were characterized by a lack of democratic governance. China, Vietnam, and other newly industrialized countries are well known examples which point to the idea that democracy is not a precondition for economic developmental results[4].

Most developmental success stories, including those countries which now belong to the high income group and enjoy consolidated democratic institutions, first experienced economic growth spurs and then moved towards gradual democratic opening of the system (Goldsmith 2007). The explanation behind this is that economic growth affects the structure of the economy and so does the social structure of society. Especially the growth of a middle class (engine of civil society), the rise of education levels (Leftwich 1996; Ottaway 1997; Tiruneh 2006), and the decline of the oligarchic elite (as an anti-democratic force) is believed to be crucial in the boosting of democratic aspirations within society (Moore and Putzel 1999).

Added to this, scholars argue that the success stories have not followed the technocratic institutional prescriptions which donors try to push for in LICs. High levels of corruption, un-orthodox growth policies, lacking rule of law, limited or no property rights have characterized most of these countries, yet this seemed not to have withheld them from growing fast (Williams, Duncan, and Landell-Mills 2009; De Haan and Everest-Phillips 2007). China, for instance, has enjoyed significant higher growth rates that India, yet it does not perform better along the supposedly critical dimensions of growth/investment climate factors (i.e. stability of property rights, corruption, rule of law), but rather has other governance capacities that seem to matter (resource allocation, infrastructure, advanced technologies (De Haan and Everest Phillips 2007:8-9).

These insights stand in contrast with other studies which claim that low corruption has a positive effect on growth (Gupta, Davoodi and Alonso-Terme 1998), while informality, tax evasion have a negative effect on growth (Friedman et al 2000; Kurtz and Schrank 2007). The protection of property rights is also often put forward as an important growth booster (De Haan and Everest-Phillips 2007).

Electoral competition can have a negative impact on economic reform. Increased public spending in the run-up to elections is not uncommon, yet this can fuel inflation and compromise economic reform. Sometimes over-expenditure serves to finance the incumbent party's campaign and bribe voters. Large amounts of money are obtained through corrupt means, like raiding social security funds or selling privatized enterprises to political clients at a bargain price in exchange for support (Brown 2005:191). Young democracies are often fairly weak, because they are heavily subjected to popular pressures, which makes it difficult to push through unpopular yet necessary reforms (Leftwich 1996). A strong core of state institutions with the capacity to promote growth but without being captured by particularist interests is essential. This is what Evans (1995:2) refers to as 'embedded autonomy'. Another point is that politically fragile states often need sophisticated and complex mechanisms for decision making in order to maintain political stability, yet this might hamper the design and implementation of strong and coherent policy frameworks for sustainable economic growth (Hyden et al 2004).

[4]   This is not to say that authoritarian regimes are per definition better performers. Closer to the truth is that they are able to produce the best, but also the worst outcomes.

In sum, there is no conclusive evidence which is able to make a causal link between governance and growth. It is argued that governance may be crucial to the investment climate, but governance will also impact the way in which the made investments can lead to growth (De Haan and Everest-Phillips 2007:9).

All the above contains some cautious lessons:
1. From a purely developmental perspective, it is legitimate to soft pedal on democratic governance issues if the recipient government is performing well on technocratic governance and technocratic results (like growth);
2. Since democracy blossoms from within, it is important for donors to monitor and support internal drivers of (democratic) change;
3. Institutional prescriptions (like property rights, anti-corruption bodies etc) often become projects of institutional monocropping (Evans 2004) which carry no guarantee to produce the intended results.

2.5. BS as a leverage: tensions, trade-offs and some recommendations

BS as a modality entered the aid scene with the introduction of the World Banks' PRSPs (1999). The main objective of the modality therefore was to contribute to poverty reduction, and about a year later (2000) to contribute to the MDGs as well. BS, from the beginning, strived to improve government performance in delivering services, poverty reduction and pro-poor growth. BS thus very much emphasized the technocratic dimension of development[5]. But the production of results often implied the need to reform the public sector. This slow process of designing and implementing reforms, of institution building and strengthening is per definition a slow and painstaking process that often takes more time than patience. This means that as a BS donor, one has to be in for the long haul.

In our mythical Denmark, development and democracy go hand in hand. In the less ideal real world, there are important trade-offs between both. It is very important therefore not to confuse two very different kinds of commitment: commitment to democracy and commitment to development. A recipient government may display the first, but not necessarily the second (or vice versa). When having to make a heart breaking choice between both areas of reform, development (the technocratic area) is (because of all the arguments listed earlier in this paper) prone to become priority number one. This implies that when there is commitment to reform and there is progress on technocratic dimensions, it is (from a purely developmental perspective) legitimate to soft pedal on democratic issues. This does not mean however that the democratic dimension can be stashed away. Quite the contrary, it must be closely monitored in order to detect windows of opportunity which might positively influence the gradual evolution towards more openness.

The paradox lies in the fact that a lot of bilateral donors, contrary to multilateral donors, cannot allow for this strict separation between technocratic and democratic governance dimensions. Most aid agencies are politically led and therefore very sensitive to the pressure of public opinion. Parliaments and the public opinion are either very informed or not informed enough about development issues and development cooperation, but according to the people we interviewed, these actors regularly raise a series of questions and remarks regarding the mo-

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[5]   Furthermore the World Bank is not allowed to address 'political' issues.

dality of BS because of its strong political connotations (support to a regime, a party in power). Discussions around the legitimacy of BS from the donor home constituency perspective are increasingly dominating the debate in a number of donor countries. It is thus, from the standpoint of accountability to the home constituency, normal that agencies react when human rights are violated, elections suffer under fraud, or the media is being silenced. Not to react might mean political suicide for the politician involved, and a loss of credibility for the agency itself. This loss of legitimacy may in turn result in lower budgets in the future. From this perspective there seems to be a crucial trade-off between what the developmental agenda might need in a given moment in time (e.g. soft pedal on democratic governance issues) versus the legitimacy demands from donor constituencies. These tensions have no solution. Donors will have to continuously try to strike a balance between both conflicting pressures. However, in terms of aid effectiveness, there are some things donors can improve:

First, the political underlying principles in the MOUs tend to be rather vague and universalistic: commit to good governance, respect human rights, etc… while the governance situation in most of these countries is hugely problematic. It is important that the political UPs become less vague, clearer and are a topic for discussion when dealing with the MOU. Especially those donors who have demanding parliaments and/or expect nothing less than perfect compliance (or even progress) in this area, are prone to bump into frequent problems with recipient governments because the gap between reality and expectations is too big. The GBS evaluation is interesting in this respect as it states that on the whole, political risks in general budget support have been utterly underestimated. Therefore, political context and threats to the continuity and sustainability of budget support are likely to be political and therefore need to be appropriately considered (IDD and Associates 2006:7). It is advisable that all budget support arrangements undergo a thorough political risk assessment before their initiation. The importance of risk assessments goes beyond the accountability concern donors have. Thorough knowledge and understanding of the context is a minimum requirement, in order to find a better match between expectations and reality.

Second, to use one instrument (BS) to reach two goals is hazardous. When something turns awry in one dimension, there is only one way to react (reduce/suspend/delay BS), but this will have serious negative consequences for the other area which depends on that same modality. As such BS as a sanctioning instrument is rather blunt. One can image occasions when a bazooka effect is desirable, but it should also be possible to have a 'sniper' effect if this is deemed more appropriate (like asset freezing and visa bans).

Thirdly, democratic governance is still too often dealt with in a reactive and ad hoc manner rather than in a proactive strategic way. When donors react, the bads tend to have already happened.

A way of tackling the above mentioned problems is to effectively install a separate high level forum where democratic governance issues can be dealt with[6] (e.g. Article 8 dialogue under the Cotonou Agreement). Such an approach however must be part and parcel of a long term shared vision and strategy, including carrots and sticks, and, including close coordination with the other dialogue levels that exist. The Art 8 dialogue has been fiercely criticized on this account: in theory it contains all the above mentioned elements, in practice however it is perceived to be irregular, toothless, ineffective and all too often it cuts through existing (BS) coordi-

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[6]   A very pragmatic way of looking at this is to correctly argue that it is ineffective and inappropriate to discuss democratization with the minister of finance or other sector ministers.

nation mechanisms. In part the desire of some donors to pull 'political' issues to the table of the policy dialogue is exactly because of the ineffectiveness of the Art 8 dialogue. The question is if this dialogue can improve under the Lisbon Treaty. A crucial role will be held by the definition of the hierarchy of goals between Security issues, European interests and developmental interests. The same tension applies to some bilateral donors because on several occasions diplomats and development agencies seem to defend different agendas (in-country and across countries[7]). Close coordination between the policy dialogue and political dialogue is crucial for all reform areas because:

- high level commitment is important for ANY reform;
- technocrats can never take the political decision to reform;
- slow reform implementation (also in the technocratic area) must be followed up at the political level.

Added to all the above, the democratic governance area needs a comprehensive long term pro-active strategy. Democratic change blossoms from within and cannot be imposed externally. It is also very unlikely that the ruling elite will be very enthusiastic about limiting its own power or strengthening internal opposition. It is the job of politicians to stay in power, it is the job of society to remove them from power. This means that democratic progress will come from within and from below. Donors must therefore:

- assure that their interventions do not undermine existing efforts to democratize. "Do no harm" should be the first principle;
- be attentive in which ways existing BS practices may enhance accountability as a direct effect. For example, the involvement of Parliament has increased in budget processes partially due to BS. In that same way the use of result-based indicators can help citizens and organizations to hold the government accountable (European Commission 2006: 85; Hammond 2006:101) ;
- develop a strategy to identify, strengthen and support domestic accountability actors. Mapping, identifying "democratic drivers of change" is a necessary task.

It is imperative that the bottom-up (strengthening domestic actors) and the top-down (political dialogue) are synergetic and mutually reinforcing. The strengthening of parliaments, the private sector, media and civil society however needs other aid modalities: core-funding, capacity building basket funds, but also project assistance may be more suited for fostering these institution-building processes (Lieberson, Ray and Franz 2004).

[7]   During our research several interviewees also pointed to the very different reactions donors display towards similar events. When a recipient country is important from a geo-strategic point of view, "it can get away with a lot", when a donor however has no clear long term vision on the role of a given recipient, they tend to be more demanding and play a harder game.

3.   Dealing with political crises: Mozambique and Zambia

Why did we select the Mozambique and Zambia cases? In close coordination with the Belgian Directorate-General for Development Cooperation these cases were selected for three reasons:

1. At the time the TOR were being issued these were the two most recent cases in which a 'political crisis' had occurred: this made it easier to reconstruct them, and was easier to identify and interview the involved people since most of them are still in the same professional position. Reconstructing an 'older' case often implies that people who were in the field during the events are no longer there due to internal career mobility (related to the fact that staff tends to stay 3 to 4 years in a country and then moves on to another country or head quarters). The obvious disadvantage of such a short time frame is that little to nothing can objectively be verified regarding outcomes of the whole process.

2. In both cases similar donor tensions played regarding the appropriate use of dialogue fora. In which forum should donors discuss those problems which donors label 'political': in the policy dialogue? In the political dialogue? And how does the political dialogue at the level of all BS donors relate to the political dialogue of the EC (Art 8 in the Cotonou Agreement).

3. In both cases, the occurrence of seemingly one event (Mozambique elections, a corruption scandal in Zambia) served as a vehicle to address a large number of concerns which were both technocratic and democratic in nature. In both cases, the negotiation processes thus resulted in an agreement over a relatively long list of actions/reforms going well beyond the scope of the specific event.

Beyond these two 'similarities', the cases bear little resemblance and are not so suited for comparison. These countries are not only fundamentally different from a historical, socio-economic and political perspective (see later), the table below also shows how different both cases are in terms of the crisis itself.

Table 4:   Dissimilarities between both cases

	Mozambique	Zambia
Trigger of crisis	Elections	Corruption scandal
Main actor in revealing the crisis	Donors	Internal whistleblower
Importance of BS donors	Aid is constructed around BS – G19 (BS donors) is the main player	Aid is not constructed around BS – PRBS group is relatively small with only 9 donors
Status of the country	Donor darling and best practice in Harmonization & Alignment	Not a donor darling

3.1. The Mozambique case

In order to avoid information overload we very briefly (and selectively) summarize the governance situation in Mozambique. We draw on mainly three sources: Polity database, Freedom House and the Governance Indicators. In annex the full reports of Polity and Freedom House can be found.

3.1.1. Democratic and technocratic governance situation in a nutshell

In terms of democratic governance, Mozambique held its first democratic elections in 1994 after a turbulent and conflict ridden post independence period. The Front for the Liberation of Mozambique (FRELIMO) (in power since 1975 after independence from Portugal) secured a majority of seats in the National Assembly and these first elections turned RENAMO into a peaceful opposition political movement. The figure below, taken from the Polity Data Set (http://www.systemicpeace.org/polity/polity06.htm) shows the authority trends between 1975 and 2008. On a scale from -10 (authoritarian regime) to 10 (consolidated democracy) Mozambique has been sitting on a score 6 the last 14 years, meaning that no substantial progress has been made in the democratic governance area (Polity 2008). Freedom House considers Mozambique to be partly free (Freedom House 2010a).

Figure 2.   *Source: Polity Data Set*

FRELIMO has won every election: in 1994, 1999, 2004 and 2009, but the tensions surrounding the elections have been mounting ever since. RENAMO indicated that there has been evidence regarding "massive fraud" and international observers have also raised concerns regarding the conduct of the National Electoral Commission (CNE) (Freedom House 2010a).

Mozambique held presidential, legislative, and—for the first time—provincial elections in October 2009. The candidate for FRELIMO, Guebuza, was reelected with 75 percent of the vote. Afonso Dhlakama of RENAMO received 16.4 percent. Daviz Simango of the newly formed Democratic Movement of Mozambique (MDM), 8.6 percent. FRELIMO captured 191 of 250 seats in parliament, RENAMO 51 and the MDM won eight. FRELIMO also won absolute majorities in all 10 of the country's provincial assemblies (Freedom House 2010a). Although the European Union and other international observer groups reported that voting was conducted in a peaceful and orderly manner, they were highly critical of many preelection and election-day processes (see later).

With regards to technocratic governance, since the end of the civil war, Mozambique has achieved high levels of sustained economic growth due to the political stability in the country and the government's commitment to donor-backed market reforms. Even in the face of the recent global crisis, the International Monetary Fund calculated an average real gross domestic product growth for Mozambique at 4.5 percent for 2009 (Freedom House 2010a). Mozambique is a donor darling. Donors have supported high spending levels on priority social sectors and poverty-reduction programs. The government is working to increase the share of domestic revenue in government spending by expanding the tax base and increasing foreign investment. Donors have also put pressure on the government to enact "second generation" liberalizing structural reforms to maintain the country's economic growth. Corruption in government and business is pervasive. Mozambique was ranked 130 out of 180 countries (Transparency International 2009). Local journalists and nongovernmental organizations (NGOs) such as the Center for Public Integrity have played a crucial monitoring role by investigating and exposing high-profile corruption cases (Freedom House 2010a).

In general, when looking at the governance indicators developed by the World Bank Institute, Mozambique does better than the average low income country. It particularly ranks relatively high on its political governance indicators: political stability and voice and accountability. The more technocratic dimensions are ranked consistently lower, although the country still performs better than the average low income country. Although these technocratic dimensions seem weaker than the democratic ones, it is noteworthy that the country performs relatively well in terms of economic growth (see above).

Table 5: *Governance Indicators Mozambique: rank compared to Low Income Group*

Governance Indicator	Sources	Year	Percentile Rank	Income Average, Percentile	Governance Score	Standard Error
			(0-100)		(-2.5 to +2.5)	
Voice and Accountability	16	2008	47.6	27.8	-0.02	0.11
Political Stability	10	2008	55.5	26.2	+0.29	0.21
Government Effectiveness	13	2008	42.7	21.2	-0.38	0.17
Regulatory Quality	12	2008	35.3	23.7	-0.47	0.15
Rule of Law	19	2008	28.2	22.7	-0.66	0.13
Control of Corruption	16	2008	34.3	23.5	-0.55	0.14

3.1.2.   Returning to the events at hand: re-constructing the 'political' crisis in 2009

Mozambique experienced a donor crisis which was triggered by the fourth presidential, legislative and first provincial assembly elections in October 2009. The European Union Election Observation Mission and African Peer Review Mechanism reports indicated electoral flaws which questioned the process of the elections. Added to this, the controversial set up of the elections and, to a very great extent, removal of a third political party from voting lists, persuaded the donors to act.

Under the Finnish presidency of G19, an official letter to the Government of Mozambique (December 2009) was sent expressing deep donor concerns over election reform, economic governance and anti-corruption. The letter, signed by most members of the group, voiced a concern over a possible breach of the underlying principles of the Memorandum of Understanding (MoU). In short order, this communication eventually served as the start of an intensified series of political dialogues with the government of Mozambique.

The political dialogue was launched in mid December 2009. Donors concurred to the need to address governance issues which had progressively been deteriorating in the past few years as well as shared their willingness and commitment to restore confidence between them and the government of Mozambique so as to continue a smooth partnership in the area of budget support. In effect, further disbursements of budget support were made contingent on the successful conclusion of political dialogue.

In March 2010, upon the presentation of action plan by Mozambique, donors reported they would disburse budget support. Political dialogue was successfully closed and Mozambique's actions and adherence to the action plan were said to be monitored and assessed subsequently. It was decided by donors that any further deliberations as to the underlying principles would take place within the scope of Article 8 of the Cotonou Agreement.

As to the results of the political dialogue (see table 6), an action plan was drawn up, reinforced with specific timelines for addressing concerns in 10 areas raised by the donors. This plan is set up to guide future donor disbursement decisions. The areas addressed in this action plan are: participatory governance and electoral reform (especially political inclusivity

which calls for better representativeness of political parties), economic governance, combating pervasive corruption, solving issues related to land reform, and placing the national action plan of Mozambique under the scrutiny of the African Peer Review Mechanism. Up until now, the inclusion of a third political party in the parliament, as requested by donors was realized. Also, the new electoral law that builds on the recommendations and findings of the EU Election Observation Mission and Constitutional Council is being prepared.

Table 6. **Action plan topics**

	Mozambique Action Plan Topics
Political Conditionalities	Participatory governance and electoral reform Political inclusivity
Technocratic Conditionalities	Economic governance Combating corruption Land Reform National action plan of the APRM
Donor actions	BS disbursement delayed (4 donors)

3.1.3.   Donor perceptions on the events leading up to, during and after the crisis

In terms of the events leading up to the crisis, the elections seem to be the main cause of the conflict between donors and the government of Mozambique. The interviews revealed that in reality the elections were the straw that broke the camel's back. Apparently donors had been accumulating frustrations and disappointments for a very long time. Some donors referred to the ongoing pervasive corruption as the most important area of frustration, the alleged links between the dominant FRELIMO party (the Liberation Front of Mozambique) and the private as well as public sector. Others mentioned the slow pace of reforms in the justice sector. At the same time however Mozambique was realizing/complying with the targets as defined in the Performance Assessment Framework. Since the PAF is the main point of reference for the policy dialogue, the worries of the donors that went beyond specific areas/targets in the PAF could not be addressed in this forum. The things that went wrong in the October 2009 elections became the final donor frustrations trigger and it was used to address all the concerns that had been simmering beneath the surface in the past years.

The donors we interviewed all pointed out that the government of Mozambique was very surprised, if not shocked, about the donor reaction (the concerns raised in the letter and the subsequent high level forum in December 2009). Apparently, they had not seen this coming at all, more so because their performance at the level of the PAF was more than satisfactory.

Amongst donors there was some friction related to the question of which forum should be used to tackle political issues and at what level: should the policy dialogue be open to tackle democratic issues? Or can these issues only be discussed in the political dialogue. Should these issues be linked to BS suspension or not? The frictions around this issue ran high. Some donors even went as far as considering to leave the G19 budget support group because BS was being linked to regime issues which went beyond the PAF. This is not to say that donors did not agree on the concerns raised. Quite the contrary. There was a consensus that certain issues really had to be dealt with. But where? By whom? And which tone should be used? Notwithstand-

ing the disagreements, donors managed to agree more or less on a common position (with the exception of some donors who distanced themselves from the 'possible breach diagnosis'): that there was a need to address governance issues which had progressively been deteriorating in the past few years, and that there was a shared willingness and commitment to restore confidence with the government of Mozambique so as to continue a smooth partnership in the area of budget support. In effect, further disbursements of budget support were made contingent on the successful conclusion of political dialogue. It was however decided that each donor would individually decide which results would be sufficient.

Regarding the existing fora of political dialogue in Mozambique, some interviewees refer to the political dialogue of the G19 as the appropriate forum to discuss these issues, while criticizing the Art 8 dialogue because it cuts through and undermines existing coordination mechanisms, and because it is toothless. Other interviewees felt that both fora were reinforcing each other and that there was a good coordination between both.

The harmonization efforts in the Mozambique case in this crisis were evaluated by some interviewees as a best practice. It was mentioned in some interviews that, given the specificity of each donor, more harmonization is impossible. Other donors felt that the level of harmonization in Mozambique creates a peer pressure that is, in some circumstances unhealthy: it restraints a smaller or weaker donor from taking another position. Taking a different stand then all of a sudden is seen as if one is deviating from the collectively established norm. In that same vein, there were some donors that reacted very quickly to the electoral events. According to some interviewees, some member states jumped to conclusions too fast (even before the official announcement of the findings by the European Union Election Observation Mission). This has an immediate effect on the process. For example, it constrained a range of actions available for other donors, such as channeling funds via different modalities.

On a positive note and equally important to mention, donors did not negotiate bilaterally which made negotiations more nuanced and coordinated. In the case of Mozambique donors acted ad hoc as this has been a largely an emerging practice and no strategy on how to handle such a situation existed prior to the crisis.

Some donors view little domestic leverage for reforms as a major weakness for donors' actions. Interviewees mentioned that the donor community fell short in reaching out to civil society organizations that were voicing discontent around similar issues. As such donors were bypassing and replacing the internal opposition. As a result donors were perceived by many, including the media, as interfering with internal politics and conditioning the process in Mozambique. This failure to join forces with domestic actors made the negotiation process too much donor-driven.

In the end no sanctions were implemented in Mozambique. Instead, a consensus was reached among donors stipulating that further disbursements depend on successful conclusion of the political dialogue. Importantly, even though Mozambique is very aid dependent, eventually donors did suspend their disbursements. Added to this, even a paper prepared by economists titled "Budget Support Responses. EWG Technical Working Paper on the Implications of Possible GBS Cuts" did not change the minds of the donors.

Quite some interviewees see the case of Mozambique as successful because agreements have been concluded which otherwise would not have been made (see table 6). Other interviewees claim that too little time has passed and that having an action plan is no guarantee for implementation or success. The latter also refer to the plan as too ambitious.

Perceptions with regard to how this process has affected the relationship between donors and the government also differ between donors. Some claim that the process has clarified a lot between both parties and that the relationship has not been negatively affected. Others pointed out that the relationship with the government has suffered greatly, that the confidence is gone and the government no longer sees the donors as predictable. One interviewee mentioned that in the framework of a recent study assessing donor performance (PAPPT) the government revealed that they perceive donors to be unpredictable, cynical, biblical and fundamentalist.

The ensuing events, however, have made donors change their budget support strategies. As of next year some of them consider using performance tranches for budget support disbursements. Currently 6 out of the 19 donors want to apply a flexible tranche so as to stimulate the government to continue implementing their commitments. Likewise, they are working on the better ways on how to monitor the action plan. Added to this, most donors interviewed were of the opinion that one cannot impose governance reforms externally. By and large, good governance is a long-term endogenous process requiring ample grass roots backing.

3.2. The Zambia case

In order to avoid information overload we have limited ourselves to very briefly summarize the governance situation in Zambia. We have drawn on mainly three sources: Polity database, Freedom House and the Governance Indicators. In annex the full reports of Polity and Freedom House can be found.

3.2.1. Democratic and technocratic governance situation in a nutshell

The first free elections took place in 1992. Frederick Chiluba and his Movement for Multiparty Democracy (MMD) captured both the presidency and the National Assembly by wide margins, thereby defeating former president Kenneth Kaunda and his United National Independence Party (UNIP). In the 1996 elections, the MMD-led government manipulated candidacy laws, voter registration, and media coverage in favor of the incumbents. Most opposition parties boycotted the polls, and the MMD renewed its parliamentary dominance (Freedom House 2010).

Figure 3. **Source: Polity Data Set**

Authority Trends, 1964 – 2008: Zambia

MMD won the 2001 and 2006 elections with Levy Mwanawasa. Whereas the 2001 elections were criticized by domestic and international election monitors (vote rigging and other serious irregularities), the 2006 elections were deemed the freest and fairest in 15 years. Mwanawasa died in August 2008. Banda (former vice president, MMD) was elected president with 40 percent of the vote, against the Patriotic Front (Sata) 38 percent. Sata claimed that the elections were fraudulent, but his legal challenge calling for a recount was rejected by the Supreme Court in March 2009.

During Banda's time in office, the overall political situation in the country has been characterized by contentious politics and governance challenges. The opposition has been able to operate, although under some duress. Violent clashes have taken place between supporters of the PF and the MMD in both 2008 and 2009, but there is no evidence of systematic harassment of the PF by the government.

Due to the global economic recession, economic growth slowed in 2008 and 2009 (despite substantial progress from 2004–2007), although it is believed that increases in the global price of copper in 2009 may generate improvements in 2010. Zambia experienced considerable debt relief in 2005 and 2007, and has obtained substantial investment in recent years from China. The International Monetary Fund (IMF) in 2008 pledged $79 million to support poverty alleviation and economic growth, and in 2009, it agreed to provide over $250 million to strengthen and stabilize the kwacha (Freedom House 2010b).

Corruption is endemic in Zambia. Although President Rupiah Banda's launched an official anti-corruption policy in July 2009, concerns have emerged regarding his administration's commitment to this policy. A series of corruption scandals have occurred in the country. One of Banda's ministers who was forced to resign in April 2009 after being found guilty by a judicial tribunal of inappropriate behavior, was re-appointed to a cabinet position, because a high court ruling overturned the verdict. Banda has also abetted the political rehabilitation of former president Frederick Chiluba. A 2007 British high court judgment against Chiluba on corruption charges has not yet been registered or enforced in Zambia. Another corruption trial in a Zambian high court in August 2009 found the former president not guilty of embezzlement charges. When the head of a special task force on corruption attempted to appeal this ruling, he was dismissed from his position. Separately, an auditor general report issued in early 2009 stated that huge sums of money had been lost in 2007 through misuse, theft, and misappropriation of public resources. Also in 2009, the Swedish and Dutch governments both suspended funding to the health sector after it was revealed that millions of dollars had been embezzled from the ministry of health (Freedom House 2010b). Zambia was ranked 99 out of 180 countries surveyed (Transparency International 2009).

Judicial independence is guaranteed by law. However, several decisions in 2009, including Chiluba's acquittal, tainted the public image of the judiciary and raised concerns that the executive branch was exercising undue influence over the institution. Legislation was also passed in 2009 that allows the executive to increase the number of judges serving on the High and Supreme Courts. The lack of qualified personnel, in part because of poor working conditions, contributes to significant trial delays (Freedom House 2010b).

When comparing democratic and technocratic governance dimensions, Zambia interestingly displays the same pattern as Mozambique: it ranks highest on political stability and voice and accountability, while its technocratic dimensions are still ranked higher than the average low income country, but not as good as the democratic governance dimension.

From the data we would draw the careful conclusion that, much like Mozambique, the country scores better on the functioning of the democratic system than on the technocratic dimensions. Further comparison with Mozambique brings some interesting questions to mind. First of all, in terms of voice and accountability, Zambia is ranked lower than Mozambique, whereas in terms of control of corruption it ranks higher than Mozambique.

Table 7. **Governance Indicators Zambia: rank compared to Low Income Group**

Governance Indicator	Sources	Year	Percentile Rank (0-100)	Income Average, Percentile	Govern-ance Score (-2.5 to +2.5)	Standard Error
Voice and Accountability	15	2008	45.7	27.8	-0.09	0.12
Political Stability	10	2008	54.5	26.2	+0.29	0.21
Government Effectiveness	13	2008	29.4	21.2	-0.66	0.17
Regulatory Quality	11	2008	41.1	23.7	-0.33	0.16
Rule of Law	17	2008	38.8	22.7	-0.50	0.14
Control of Corruption	15	2008	36.7	23.5	-0.48	0.15

3.2.2. Returning to the events at hand: re-constructing the 'political' crisis in 2009

In May 2009, a newspaper article revealed that the Zambian ministry of health em-bezzled about $2 million dollars. What is exceptional in this case study is that corruption in the ministry of health was discovered by a local domestic whistleblower, the Anti-Corruption Com-mission (ACC). In its own right, the ACC commissioned a series of investigations in the public sector. Shortly after the Netherlands and Sweden announced to delay their disbursements until the results of forensic audit were made available, on May 26 the Zambian President on his own initiative invited ambassadors from Cooperating Partners (CPs)[8], as well as non budget sup-port donors, including China, to discuss the situation and the way forward. During the meeting a governance matrix was formulated.

In early June 2009 the government of Zambia received a letter from CPs in which they pointed out that two underlying principles, namely public financial management (PFM) and good governance were problematic. The deficiencies at the sector levels (health and the road sector) were linked to the dysfunctional quality of the overall control systems, among other, PFM. The letter indicated that further strengthening was needed so as to prevent the misuse of funds and reduce the adverse implications on the government's poverty reduction agenda.

Given multiple questions and concerns were raised by the donors, an Art 8 dialogue was started up to tackle the concerns regarding the UPs with the government of Zambia. From mid June until November 2009 CPs took over the leadership by setting up a broad timetable with specific milestones for carrying out the dialogue. Aiming at a structured process and stronger assurances and guarantees to all parties, the intensified dialogue resulted in a roadmap agreed between CPs and the government of Zambia (see table 8).

The donors we interviewed stressed that the government of Zambia when present-ing the budget for 2010, was highly surprised that donors did not commit budget support for 2010 because of too few guarantees in the presented roadmap. Instead, the donors provided an overview of indicative aid tied to progress in the roadmap. However, in November 2009, when enough progress was made, the funds were committed and the dialogue was officially concluded.

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[8]   Cooperating Partners (CPs) providing poverty reduction budget support, also called the PRBS Group, consists of the African Development Bank, the European Commission, Finland, Germany, The Netherlands, Norway, Sweden, the UK, and the World Bank.

The donors generally regarded the dialogue as positive while the actions taken by the government of Zambia were said to have generated satisfactory progress. As regards specific achievements, a new strengthened Performance Assessment Framework was put in place (2009-2011).

Table 8.   Roadmap topics

	Zambia Roadmap Topics
Political Conditionalities	Freedom of Information Act
Technocratic Conditionalities	PFM Sector issues Anti-corruption
Donor actions	BS suspended in year (2 donors) BS rechanneled to other modalities (2 donors)

3.2.3.   Donor perceptions on the events leading up to, during and after the crisis

Interesting to mention is that at the beginning of the crisis, some donors were not involved in the initial stages of debate because they were not financially linked to the health sector. When donors however started to make the analysis that the corruption scandal was symptomatic to the overall problematic quality of the oversight and control systems, this attracted the attention of more donors. This analysis resulted in donors picking up more issues concerning corruption and other breaches of UPs. In turn, they joined the donor movement that pointed to overall problems in the system and the need to strengthen institutions. Therefore, although the eruption of the corruption scandal seemed to indicate that the crisis started with one single event, the link was quickly made with some frustrations that were simmering beneath the surface in the budget support group. More particularly, since 2008 there had been slow progress on the issues of corruption, PFM reform, decentralization, and in the sectors of agriculture, roads and health. Much like the Mozambique case thus, it was not a single event that led to a crisis, but, a gradual process as donors were becoming increasingly unhappy about the slow progress in certain reform areas. The health corruption scandal therefore served as a vehicle to address wider governance problems.

An intensified process of policy and political dialogue between the Zambian government and the PRBS group started in early June 2009. Monthly meetings took place, chaired by the PRBS group (the nine donors) in which ambassadors were always present. In 2009 joint statements of the nine donors were elaborated in the PRBS group and finally held by the chair of the group. The second review was merged with the High Level Policy Dialogue consisting of all the Cooperating Partners with the government of Zambia. In addition, the statements were discussed in the main cooperating partners group and heads of mission/heads of commission level. Worth noting, policy dialogue was maintained closely between the Secretary to the Treasury and other high ranking officials on the side of the government and CPs on a monthly basis. By November 2009, the negotiations resulted in an agreed roadmap (see table 8).

The policy dialogue consisted of a series of highly harmonized technical meetings. Some interviewees criticized the policy dialogue for addressing issues that were too political and should not be addressed there, other interviewees found the meetings too technical and disconnected from the essential problems which were political in nature. For donors therefore it

is increasingly difficult to decide which dialogue – policy or political – should be used for which issues. At the same time, again much in line with the Mozambique case, was the relationship between the political dialogue by the BS donors and how this relates to the Art 8 dialogue which is essentially a European forum. The exclusion of non-EU budget support donors in Art 8 dialogues is seen by some as very disturbing.

The limited number of BS donors did not mean that harmonization between them was easy. The donors we interviewed repeatedly mentioned that it was a challenge to keep the budget support group together because the interests and positions differed greatly between donors, especially with regard to the topics which had to be included in the roadmap and the importance of these different topics. Each donor had its specific concern which it wanted to see figure in the roadmap, and it took quite some negotiating to reach a consensus on this. Some of them underlined the tendency to lose focus on key issues or even mix them up during the negotiations. Alternatively, they need to uncouple reforms by prioritizing and tackling them at appropriate levels. The harmonization effort in Zambia was perceived by different donors as very difficult, in part probably because it was the first time that they had to confront such a crisis. It has however pushed some donors in considering if they would still engage in such a harmonization effort the next time round. Pulling out of the CPs group in the light of tense division lines and difficulty to harmonize actions has become an option for some it appears. Added to this, one donor we interviewed mentioned that the communication strategy practiced by donors was problematic. During the negotiations all donors kept silent vis-à-vis the press. Yet the local press pictured the donors as hard and tough because of their talks to suspend aid. This had eventually created an atmosphere where the public opinion started to speak out against donors and their conditionalities. Hence the question remains how to ensure transparency to the public and at the same time maintain effective negotiations with the government. The question is also how to forge links with those civil society organizations that share some the concerns donors have regarding the governance situation in the country when civil society is so fragmented. Added to that it is difficult to openly support dissent when at the same time donors have to negotiate with the government in order to restore confidence.

The donors' perception on the Zambian government's approach to the PRBS group's concerns has varied significantly too. On the one hand, some thought the government treated the concerns as minor incidents, looking for short-term fixes. Arguably, they did not fully realize the magnitude of effects the outcome of the dialogue would have on donor commitments. On the other hand, some praised the government's strong determination to improve and correct its mistakes. On the part of the Zambian government, it could be stated the ministry of finance and planning played a very active and constructive role during the dialogue. This suggests that the general notion that the public sector tends to take a stand against donors is not entirely true.

Most of the donors we interviewed feel that the way in which was dealt with the Zambian problem was a success. First, in spite of tensions and frictions among donors, consensus was reached. Second, donor reaction to the corruption scandal and concerns over the whole monitoring and control systems of the government of Zambia served as a wake-up call to the government leaders. Some donors we spoke to indicated that playing a hard game and voicing credible sanctions are important instruments to force the government to listen and act on some areas of concern. By and large, the interviewees highlighted the format of the dialogue was favorable in as far as the partner government knew what was expected from it and, effectively, it

could take appropriate measures. In general, the dialogue consisted of a good and solid learning process. Equally important, the donors agree that the roadmap (see table 8) has now become an important tool to permanently monitor the steps taken in diverse sectors as its content includes robust accounting and audit systems which prevent corrupt practices. Some other interviewees doubt whether the existing roadmap will be implemented and will have a long term positive effect on the reform agenda.

Looking at the specific results of the dialogue, the government has undertaken some actions but it remains to be seen how sustainable these changes will be. For now, meetings and monitoring take place more regularly so as to ensure critical issues are discussed with the partner government. What is more, the revision of MoU is now in order, PFM has been put back on track, progress has been made on sector issues (particularly in health), an anti-corruption policy has been launched, the Freedom of Information Act is being prepared.

As far as lessons learned are concerned, some donors have mentioned that harmonization amongst BS donors increases the credibility of the threat. In the words of one interviewee "a combined effort of several donors increases the leverage of donors substantially and is key to success." According to some donors we interviewed, the partner government has now embraced a more determined approach to preventing corrupt practices that is now being demonstrated by the actions taken by government agencies. Yet, some donors are less comfortable with China's policy in Zambia, which might undermine closer dialogue with the government. Last but not least, some donors concur that the relationship with the government has certainly not improved throughout the corruption scandal, and as a result, the government of Zambia sees donors not so predictable and reliable as before.

3.3. Concluding remarks on the cases

Interesting is the fact that, when looking at the governance indicators and some of the narratives on political history, both Zambia and Mozambique have scored relatively well in terms of political stability, voice and accountability. Especially when compared to other low income countries. The shortcomings of the electoral processes, in both countries, date back to the beginning of democratic history, and will, most probably not disappear from one election to the next (although Zambia has made substantial progress in this area). Tampering with electoral procedures is a standard practice in most anocracies (hybrid regimes), and one of many ways to ensure that the dominant party stays in power. From this perspective these kinds of problems are cyclical and predictable. If donors are genuinely concerned about democratic governance, like in the Mozambique case, it should best be addressed in a pro-active way, long before elections take place, in order to gradually improve electoral procedures and practices. The reactive way in which donors have tackled the issue clearly indicates that it's not about the elections. It was about a whole range of concerns. Concerns were multiple, they accumulated, frustrations reached a boiling point, but no forum was in place to legitimately address the growing donor discontent. The Zambian case responds to a similar logic: one event is used to host a series of concerns which donors apparently could not address in existing fora and under existing formats (like the PAF). Fundamentally different from Mozambique is that the event which triggered the process in Zambia was – in our definition – a technocratic governance issue. Interestingly enough however, it was also used to address at least one topic which was in the democratic governance area (the freedom of information act).

One of the biggest advantages of results-oriented aid, is at the same time its biggest disadvantage. By pinning everything down in indicators, the legitimate scope of discussion is narrowed down to that framework (in this case the PAF). Problems or concerns that pop up in other areas, or concerns that go beyond one specific reform, may become 'untouchable'. As such the fundamental discussion which gave rise to this study, namely, what to tackle where when a crisis occurs (the division of roles between the policy and political dialogue) is a bit misplaced. The first relevant question that should be posed is how to organize fora in such a way that growing discontent/frustration can be channeled and voiced.

The issue has been raised why some countries, which often perform worse in all areas, do get away with electoral shortcomings and other governance challenges. It has been mentioned in our interviews that some countries do not have a lot of strategic value, which is the main reason why donors dare to play a very tough game and demand a lot from the government. Donors that do have strategic concerns soft pedal on a lot of fundamental shortcomings in the governance area.

3.4. What do we know about the effectiveness of conditionalities? A literature review

When reviewing the literature, a number of generally acknowledged issues emerge. First of all, conditionalities, in general, are considered ineffective. Secondly, this ineffectiveness is related to shortcomings at the level of the main actors involved, namely donors and recipients, because they face diverging and often conflicting incentive structures. And thirdly, conditionalities also fail because they are not appropriately designed. We will discuss these three points, in a very summarized way, below. Important however is that the New Aid Approach, as endorsed by the Paris Declaration also hints at how donors can avoid the pitfalls of the past. We discuss this throughout the text and we will summarize some recommendations at the end of this section.

From the nineties onwards traditional policy based lending conditionalities have been fiercely criticized. The emerging consensus was that these conditionalities were ineffective. The donor driven nature of conditionalities (Schmitz 2006; Killick 1997), especially the ex-ante policy lending conditionalities which during the era of the structural adjustment programmes (SAPs), bullied the state into promising reforms over which the recipient government had no ownership, hence it resulted in non-compliance (Collier et al. 1997; Stokke 1995). As such it failed to bolster reforms, or enhance the impact of development aid on growth or human development (Mold 2009:43; White and Morrissey, 1997; Gunning 2005:4; Barder and Birdsall 2006).

The same line of thinking is applicable to political conditionalities: they are also deemed ineffective (e.g. Crawford 2001:198; Barder and Birdsall 2006; Bratton and Van de Walle 1997; Brown 2005:182). In the best case, they enable a political liberalization, but are less effective in enabling a full democratic transition, and are least effective in establishing democratic consolidation (Brown 2005:185). This is illustrated by a study where 8 out of 25 (32%) politically conditioned aid cases resulted in a democratic transition in Africa. Brown labels this as a 'moderate success rate', suggesting a spurious relationship (2005:182). Yet, "political conditionality often encourages a transition to democracy which is merely electoral, sometimes fomenting rivalries, at times unleashing interethnic violence in the struggle to retain or achieve power (as in

Kenya, Rwanda, and Burundi), and otherwise impeding democratization" (ibid.). Stokke (1995) argues that political conditionalities are bound to be more effective when:

- responding to a gross violation of rules (making it easier to gather international support to aid sanctions);
- there is coordinated donor action (making the threat more credible and significant); and,
- it is supported by internal political forces, both within or outside government (donor action therefore helpt to 'tip the balance'.

Crawford (1997) tested Stokke's conditions. He found that in 9 out of 29 cases the conditionalities were effective, for reasons mostly in accordance with Stokke's conditions. Crawford not only emphasized the ineffectiveness of political conditionalities, he also pointed to the inconsistency in applying political conditionalities: there seems to be no relation between sanctions and the degree of human rights violations. This points to our remark earlier where strategic interests of donors may heavily influence the way in which they will react when faced with certain events.

Added to this, what seems to be a success in the short term, might turn out to be a problem in the long run. In that same vein, it is important to look beyond the direct effect of the conditionality and broaden the view to assess whether other structural developments (positive and negative) resulted as part of political conditionality. The focus on intended effects of conditionalities often overlooks the unintended consequences in other governance dimensions. The democratic space gained in one area of public life, may well be curtailed in another area. The PRSP participation conditionality serves as an interesting example: in some countries where PRPS participation exercises took place and where donors were quite satisfied with how this had worked, the legal frameworks regarding NGOs and/or other associations were revised and severely restricted (Molenaers and Renard 2009). Yet another perspective is that political conditionalities can be counterproductive when they are imposed on a reform-oriented government committed to development (Schmitz 2006:12).

When it comes to policy conditionalities, it is important to emphasize that domestic political variables and context explain compliance with reforms by a recipient government and not variables under control by the donors (Dollar & Svensson 2000; Dijkstra 2002). Compliance to conditionalities can thus not be bought. Reform orientation needs to be genuine and fully endorsed by a recipient (White and Morrissey, 1997; Gunning 2005:4). But this seemingly points to a paradox: if a reform oriented government is in power, there is no need for conditionalities. And when there is not, conditionalities will not work (Morissey 2005:241-242).

In general it is thought that stronger governments (in terms of capacities, commitment and performance) are better at resisting conditionalities. Crawford (2001) argues otherwise. Both weak and strong governments have proven in the past to be able to circumvent conditionalities. Scott (1990) rightly distinguishes active forms of resistance from passive resistance. Actors in a strong bargaining position will be more inclined to actively resist and voice discontent, actors in a weak bargaining position will display more passive (and therefore more creative) ways of non-compliance.

Commitment (or lack thereof) however is not such a straightforward, easily recognizable characteristic. Fritz and Menocal (2006) correctly argue that ownership is easy to recognize in hindsight, when the results have been achieved, but it is a lot harder to predict it in foresight (ibid.). And without objective ownership indicators, how can one assess the value of 'voiced commitments'. How deep is commitment? How stable? How long lasting? And around which issues can ownership be detected? Will committed discourse furthermore translate into committed action and implementation? In some occasions the lack of government ownership is clear in the way in which they deal with the policy dialogue itself: high absenteeism, ever changing and/or badly prepared government representatives, attendance of lower rank and file public servants with no decision making power or influence, agreements are reached but then unilaterally reversed by the government a couple of days later, etc. In other cases however, where commitment to the policy dialogue can be noted because the right government people are present, well prepared and have decision making power over the issues at stake, donors often mentioned that commitment can be high during the policy dialogue moments, but seem to water down after that. Ownership thus fluctuates and can be highly volatile. In the light of these events, donors persist in pushing for reforms, even when the political circumstances favourable to reform appear to be rather bleak. As argued by numerous scholars (e.g. Hyden 2004; Birdsall 2005; Leftwich 1996) most reforms are politically and socially painful, and governments may not be genuinely convinced of the desirability of reform, either because what is proposed does not correspond to their strategic priorities, or because it runs against their own political interests. This lack of commitment however will rarely ever be voiced by the recipient, not in the least because of aid dependency and the need to secure resources. Donors can increase compliance if they coordinate their actions, but this is not guarantee that there is ownership. Harmonization tilts the power balance all the way in favour of donors. This calls for some caution, yet donors, more often than not, assume that government compliance equals ownership, or they assume that it can be constructed in the process by providing capacity building efforts and/or technical assistance. As such it seems that donors often reduce political obstacles to technocratic challenges which can be solved. As mentioned earlier, ownership cannot be bought, but it can be strengthened if donors invest sufficient time in identifying existing pockets of ownership[9].

When it comes to political conditionalities which push for further democratization, the likelihood that the recipient government has little to no ownership and henceforth will try to circumvent the donor driven demands, increases exponentially. This is because, as mentioned elsewhere in this report, the power holding government will not engage in taking measures which will decrease its likelihood to stay in power. It is unnatural for a government to nurture and strengthen measures which will pave the way for increased opposition. As mentioned in the conclusions in the first part of this report: identifying and strengthening democratic forces in society. Supporting parliaments, political parties, civil society and the media might be more effective when using different approaches and modalities: project funding, core-funding, basket funding, including indirect cooperation (through Northern NGOs and Northern Universities).

Aid has almost always been associated with some conditionalities, right from the beginning, and much of the literature suggests that donors do come out consistently as weak players (e.g. Birdsall 2005). Several factors will continue to plague donor resolve and expose them to excessive leniency in the face of recipient non-observance of aid contracts.

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[9]   The Drivers of Change approach developed by DFID and the, Power Analysis (SIDA) are all tools that attempt to do this.

The toughest weak spot of donors is the fact that aid agencies are politically led. This introduces a host of challenges which are not always easily reconciled with the needs of a developmental agenda.

To start with aid is, more often than not, a tool of foreign affairs. It therefore responds to conflicting or unclear objectives (Crawford 2001:198-199). With different interests pushing through, the aid effectiveness agenda and its principles are just one of several parameters and objectives of foreign policy. Strategic, geo-political, economic or commercial motivations may therefore overrule the development agenda (Radelet 2006; Lancaster 2006; Balla and Reinhardt 2008).

Secondly, aid money is tax money that has to be accounted for. The political heads of aid agencies are sensitive to pressures at home. The democratic imperative to be responsive to a wide range of stakeholders (interest groups, media, parliament…) and the obligation to account for results (parliament, public opinion) further exacerbates the multiplicity of interests the aid agency must incorporate into its daily functioning. Added to this, the pressure to spend, to show visible results and to avoid risks leads to impatience (Birdsall 2005).

The above characteristics go a long way in explaining why donors often fail to be selective, why they impose weak and partial measures when things go wrong (Crawford 2001:200), why they fail to exit, and fail to coordinate (Birdsall 2005). Particularly important in the domain of political conditionalities which seek further democratization is the involvement of civil society. The inclusion of civil society in reform processes has been to large extent disregarded. Instead, donors have taken a rather apolitical and narrow approach towards participation and ownership in a broad sense of the word (Birdsall 2005:15).

Making abstraction of the above mentioned problems at the level of actors, there is also the way in which conditionalities are designed. Some conditionalities are prone to fail due to their lack of specificity. When a conditionality is unclear in what it sets out to do, when it carries multiple objectives and unclear targets, the likelihood that it will not realize its intended effect is large. Experience shows that the more specific a political conditionality is defined and the less margin of interpretation it has, the more likely it is to be implemented. In general however, donors hesitate to be very prescriptive in their political conditionalities in contrast to economic reforms which seldom are characterized by such qualms (Crawford 1997: 185).

There is also a tendency to overload the recipient government with conditionalities, especially when things are going wrong. Mostly negotiations end with a long list of required actions and the agreement that all conditions have to be met. The failure to satisfy any one of them would therefore in theory result in all aid being withheld, but as mentioned before, these kind of donor sanctions (the 'all or nothing' approach) is too drastic and not credible enough (Morrissey 2001; Gunning 2005; Gunning 2006:302).

Increasingly, streamlining conditionalities, characterized by intensified coordination among donors, has been gaining ground in development aid. The past has shown that in the absence of donor coordination, the recipient government may play out donors against each other (Killick 1997). Too much coordination among donors however very much worsens the nuclear threat of the 'all or nothing approach' (Gunning 2006: 302), and may lead to donors ganging up against the government. The latter form of coordination of course undermines ownership.

4. CONCLUSIONS

The literature review on conditionalities emphasizes that the credibility of sanctions and the lack of harmonization were seen as important donor stumbling blocks. The cases presented in this paper suggest that these stumbling blocks are shrinking. First, in both cases, the donors managed to harmonize their voice into a common position (voicing concerns) and to jointly undertake negotiations. Obviously the Paris Declaration has boosted harmonization efforts, at least in voicing discontent and in voicing the threat of suspending aid/BS. Secondly, given the political sensitiveness of BS in quite some donor countries, pulling the BS plug is a real option. The credibility of sanctions has thus increased substantially.

The fundamental question however is if overcoming these stumbling blocks will lead to more effective conditionalities, more effective aid. Most people we interviewed felt that the donor actions in both countries were very successful, that the process in both countries has yielded the expected results (ie the roadmap and the action plan, which will be used as monitoring devices). Most people were thus quite optimistic in terms of how they dealt with the crisis, the yielded results and the government actions that will flow from this (given that future disbursements will be linked to progress). Without government commitment/ownership however, without strong links to internal reform drive, it seems unlikely that improved harmonization and more credible sanctions will lead to substantial changes. Reform, and especially democratic reform, can not be ordered to be had. Yet, given the level of aid dependence, given the power of harmonized BS donors and given the credibility of sanctions, governments have no option but to comply, but there will most probably be varying degrees of government compliance with donor requests. A minimal implementation of formally requested actions is probably the most rational way for recipient governments to relief the tensions with the donor community. In both cases the relation between donors and government seems to have suffered under the process, which seems to indicate that governments were not happy with the process, nor the results it yielded. They will have to comply, but compliance is not wholehearted. Ownership is thus probably lacking in both cases. Both cases also showed that donors failed to reach out to other drivers of change. At the moment of crisis, donors stepped in, took over and (in the words of one interviewee) "squashed domestic accountability actors", (in the words of another) "started to play the role of internal opposition".

In both countries thus, the process is far from carrying all the guarantees needed to be effective in the long run. The proof of the pudding lies in the future. What will have been the effects of this process on the areas of concern and beyond say in one to four years?

Beyond the cases, what can donors do to prevent being swept away by crisis-like events? The new aid approach, which favours flexible aid, a hands-off approach, in which donors harmonize and align, is de facto designed and easy to apply in countries that are already doing relatively well. Given that a lot of low income and aid dependent countries score high on corruption and do not have a very good track record in implementing promised reforms and achieving institutional performance (Van De Walle 2005; Moore 1999), there is a substantial risk involved when donors send aid money through the treasury. This calls for the building in of guarantees and there are different ways of doing this:

- Lower ambitions at two levels: (1) with regard to what external actors can do: change cannot be bought, it can only be supported, (2) with regard to what recipient government can do: even when there is commitment, change is mostly gradual, not in big leaps. In both respects it is important to increase the understanding of the context and the role of external actors. It is crucial that lower ambitions sip through both within aid agencies, but also (and importantly so) within donor home constituencies, as they often drive the overambitious agenda. Accepting and working with the concept of "good enough governance" (Grindle 2007) seems crucial in this respect: avoiding reform overload, working with what works relatively well in that given context, and supporting baby steps to improve those existing arrangements.

- Recognize the trade-off between donor accountability concerns (demands from parliament and public opinion) and aid effectiveness/developmental concerns and manage these tensions in a way that does not undermine achieved developmental results. Harmonization should empower the recipient government, but it can obviously be used to put the recipient under a lot of pressure to yield. This satisfies donor accountability concerns, but it might undermine the partnership and government ownership over development.

- Selectivity on the side of the (bilateral) donor: from an aid effectiveness, but also (and maybe more so) from a donor accountability concern, this implies that the more flexible aid modalities of the NAA are restricted to recipient countries where governments are sufficiently capable and are actually pursuing the kind of pro-poor and/or democratic results that donors wish to support. Selectivity ensures the presence of sufficient common ground and it may be regarded as akin to conditionality, in the sense that the donor unilaterally signals under what circumstances it is willing to provide support, and verifies whether these circumstances are satisfied[10]. It is however not strictly a conditionality, because there is no contract. In this sense, selectivity precedes policy dialogue and it is a condition for its success. Especially if home constituencies in donor countries are very critical towards BS because of the political connotations, it is probably best for bilateral donors to explicitly introduce these standards into their allocation policy and assess them seriously (with the benchmarks set sufficiently high enough, so as to avoid unpleasant surprises).

- Results orientation and elaborated matrices can be of great help in structuring an aid relationship and the policy dialogue, especially when things run smoothly. There must exist room however for discussing wider governance concerns (which are always political in nature) with the right people around the table. This will prevent the accumulation of frustrations.

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[10] The Millennium Challenge Account is a good example of such a unilateral signalling. This donor agency decided to measure the performance of potential recipient countries by using 17 policy indicators. These indicate the commitment to policies that promote political and economic freedom, investments in education and health, the sustainable use of natural resources, control of corruption, and respect for civil liberties and the rule of law. Only those countries that are able to score above a certain threshold for a well specified number of indicators are eligible for support. As such MCC does not engage in policy dialogue ex ante. It uses quantitative benchmarks as a selection mechanism. For more detailed information see: http://www.mcc.gov/documents/mcc-fy-09-guidetotheindicators.pdf

This paper started out with the question where and when to deal with 'political' issues. Should political issues be banned from the policy dialogue and delegated to the political dialogue? Or should the policy dialogue also tackle political issues. In general we argue that all governance issues are political and that there is no reason to ban politics from the policy dialogue. If anything, politics and political savvy should be brought in more, because every reform (however technocratic) is profoundly political. But the policy dialogue has its limits however. When things start to go wrong, they must be pushed to a higher level, where the right people, with decision making powers can make a difference. From this perspective there must be a synergetic relationship between policy and political dialogue. This being said however the paper also strongly argues for a separation between democratic areas of reform and technocratic areas of reform because there are obvious trade offs between both. Both areas of reform need different and specific approaches, modalities and timelines. Just like the technocratic reform area however, the democratic governance area needs the development of a strategy which should be broader than just electoral concerns. Reconfiguring the state-society relationship is a lot more ambitious than, say PFM reform, and therefore needs a very sophisticated understanding of the local context and it requires a time horizon that stretches far into the future.

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ANNEX I: FREEDOM HOUSE REPORT – FREEDOM IN THE WORLD – MOZAMBIQUE (2010)[11]

Capital: Maputo
Population: 21,971,000
Political Rights Score: 4 *
Civil Liberties Score: 3 *
Status: Partly Free

Ratings Change

Mozambique's political rights rating declined from 3 to 4 due to significant irregularities and a lack of transparency pertaining to the registration of candidates and the tabulation of votes in the October 2009 presidential, legislative, and provincial elections.

Overview

President Armando Guebuza and the ruling Front for the Liberation of Mozambique (FRELIMO) party won sweeping victories in the October 2009 national and provincial elections. International observers found that the overall outcome reflected the will of the people, but significant problems pertaining to the registration of candidates and the tabulation of results underscored the crucial need for greater transparency in the electoral process. Endemic corruption and weak judicial institutions also pointed to the broader challenge of securing transparency and accountability.

Mozambique achieved independence from Portugal in 1975. The Front for the Liberation of Mozambique (FRELIMO), a guerrilla group that had long fought to oust the Portuguese, subsequently installed itself as the sole legal political party of a Marxist-style state. Independence was followed by a 16-year civil war that pitted the Soviet-allied FRELIMO against the Mozambique National Resistance (RENAMO), a force sponsored by the white-minority governments of Rhodesia (Zimbabwe) and South Africa. The war resulted in nearly a million deaths and the displacement of several million people. President Samora Machel, the FRELIMO leader, was killed in a suspicious plane crash in 1986; he was succeeded by Joachim Chissano, a reform-minded FRELIMO moderate. A new constitution was enacted, calling for a multiparty political system, a market-based economy, and free elections. A peace accord signed in 1992 brought an end to the war, and a 7,500-strong UN peacekeeping force oversaw a disarmament and demobilization program and the transition to democratic government.

Mozambique held its first democratic elections in 1994. Chissano retained the presidency, and FRELIMO secured a majority of seats in the National Assembly. RENAMO accepted the outcome and transformed itself into a peaceful opposition political movement. Chissano was reelected in 1999, and FRELIMO once again won a majority of parliamentary seats. These results were deemed credible by the international community, despite technical difficulties and irregularities in the tabulation process. RENAMO nonetheless accused the government of fraud and at one point threatened to form its own government in the six northern and central provinces it controlled.

Chissano announced that he would step down as president upon completion of his second elected term. In 2002, FRELIMO leaders chose Armando Guebuza, a hard liner, to lead

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the party. Pledging to address corruption, crime, and poverty, Guebuza and FRELIMO won the 2004 presidential and legislative elections with a wide margin of victory, but RENAMO cited evidence of "massive fraud" and initially rejected the results announced by the National Electoral Commission (CNE). The commission subsequently admitted that 1,400 vote-summary sheets favoring RENAMO had been stolen, accounting for 5 percent of the total vote. It transferred one parliamentary seat from FRELIMO to RENAMO as compensation. International election observers expressed concerns about the CNE's conduct during the tabulation process, but ultimately determined that the abuses did not affect the overall outcome.

Guebuza's government has largely continued the liberal economic reforms and poverty-reduction policies of his predecessor. He has been criticized, however, for his heavy-handed management of FRELIMO and his uncompromising and confrontational stance toward the opposition.

Mozambique held presidential, legislative, and—for the first time—provincial elections in October 2009. Guebuza was reelected by a landslide, securing 75 percent of the vote. His opponents, Afonso Dhlakama of RENAMO and Daviz Simango of the newly formed Democratic Movement of Mozambique (MDM), received 16.4 percent and 8.6 percent, respectively. In the parliamentary contest, FRELIMO captured 191 of 250 seats, while RENAMO won 51 and the MDM won eight. FRELIMO also won absolute majorities in all 10 of the country's provincial assemblies.

RENAMO and MDM both alleged fraud. The European Union and other international observer groups reported that voting was conducted in a peaceful and orderly manner, though they were highly critical of many preelection and election-day processes. They noted that the CNE's rejection of party lists for ostensibly technical reasons—including the disqualification of MDM candidates' nomination papers in 9 of the country's 13 parliamentaryconstituencies—substantially restricted voter choice. The observers also documented irregularities that indicated ballot stuffing and tabulation fraud at some polling stations, though such distortions were considered insufficient to have impacted the overall result of the election.

Mozambique has achieved high levels of sustained economic growth since the end of the civil war, owing to relative political stability and the government's commitment to donor-backed market reforms. The economy has shown resilience in the face of the recent global downturn, with the International Monetary Fund estimating average real gross domestic product growth at 4.5 percent for 2009. Mozambique enjoys close relations with donors, who have helped to finance high spending levels on priority social sectors and poverty-reduction programs. The government is working to increase the share of domestic revenue in government spending by expanding the tax base and increasing foreign investment. Donors have also put pressure on the government to enact "second generation" liberalizing structural reforms to maintain the country's economic growth.

Political Rights and Civil Liberties

Mozambique is not an electoral democracy. While international observers have deemed the overall outcomes of Mozambique's national elections to have reflected the will of the people, electoral processes have repeatedly been riddled with problems. The 2009 elections were particularly criticized for widespread rejection of party lists and for "numerous irregularities" in the tabulation of results.

The president, who appoints the prime minister, is elected by popular vote for up to two five-year terms. Members of the 250-seat, unicameral Assembly of the Republic are also elected for five-year terms. The national government appoints the governors of the 10 provinces

and the capital city.Despite the introduction of elected provincial assemblies and municipal governments, power remains highly centralized, particularly in the hands of the president.

Political parties are governed by a law that expressly prohibits them from identifying exclusively with any religious or ethnic group. Although RENAMO and the upstart MDM have won representation as opposition parties in the parliament, FRELIMO is the only party to have held power nationally, and its unbroken incumbency has allowed it to acquire significant control over state institutions. In the lead-up to the 2009 elections, the government was heavily criticized for disqualifying candidates from the MDM and a number of smaller parties in a majority of the country's constituencies on technical grounds that many saw as politically motivated. The campaign period was also marred by partisan violence. Three MDM campaign workers were injured when their offices were looted by a FRELIMO mob in Chokwe. Another was assaulted by RENAMO supporters in Nampula. RENAMO workers also suffered attacks by FRELIMO in Maputo, Sofala, and Nampula, as well as in Tete province, where RENAMO offices in Changara were burned and one RENAMO supporter was reportedly killed.

Corruption in government and business is pervasive. Mozambique was ranked 130 out of 180 countries in Transparency International's 2009 Corruption Perceptions Index. Local journalists and nongovernmental organizations (NGOs) such as the Center for Public Integrity have played a crucial monitoring role by investigating and exposing high-profile corruption cases. Under considerable pressure from donors, President Armando Guebuza has stepped up efforts to fight corruption. As of the end of 2009, former transport minister Antonio Munguambe and four other defendants were on trial for allegedly stealing nearly $2 million from Mozambique's national airline. Former interior minister Almerino Manhenje, who was arrested in September 2008 for the alleged theft of about $8.3 million from his ministry, was still awaiting trial.

While press freedoms are legally protected, journalists are sometimes harassed or threatened and often practice self-censorship. In March 2009, Bernardo Carlos received death threats after publishing a series of critical articles about the administration of Governor Ildefonso Muananthatha in Tete province. Mozambique has two government-run dailies—Noticias and Diario de Mocambique. There is also a state news agency and a state radio and television broadcaster. Since the introduction of multiparty democracy in 1994, new independent media sources have proliferated. These include several weeklies and the daily O Pais, a number of independent and community radio stations, and more recently, news websites. Although there are no official government restrictions on internet use, opposition leaders have claimed that government intelligence services monitor e-mail. International media operate freely in the country.

Religious freedoms are well respected, and academic freedoms are generally upheld, though there have been reports of teachers encountering pressure to support FRELIMO.

Associational and organizational rights are broadly guaranteed, but with substantial regulations. By law, the right to assembly is subject to notification and timing restrictions, and in practice, it is also subject to governmental discretion. Public demonstrations have occasionally turned violent. In some cases, security forces have broken up protests using disproportionate force. In 2008, riots broke out in Maputo following a 50 percent increase in public transport fees, leaving four people dead and more than 100 injured. Campaign rallies prior to the 2009 elections were at times disrupted by security forces or rival party activists. NGOs operate openly but face bureaucratic hurdles in registering with the government, as required by law. Workers have the right to form and join unions and to go on strike. The law was changed in 2008 to extend such provisions to government workers. The Organization of Mozambican Workers, the country's leading trade union confederation, is nominally independent and critical of the government's market-based reforms.

Judicial independence is undermined by endemic corruption, scarce resources, and poor training. The judicial system is further challenged by a dearth of qualified judges and a backlog of cases. Despite recent improvements, suspects are routinely detained well beyond the preventive detention deadline. Prison conditions are abysmal. According to Amnesty International, 13 detainees died from overcrowding in a police cell in Nampula province in March 2009, while 22 reportedly died, mainly from disease, in a prison in Manica province in early 2009. Abuses by security forces—including unlawful killings, excessive use of force, and arbitrary detention—remain serious problems despite human rights training. Public dissatisfaction with the police has also led to a rise in deadly vigilante violence.

Excessive bureaucracy, pervasive corruption, and insufficient legal redress unduly hinder private enterprise, especially at the local level.

Women are fairly well represented politically, holding the premiership and some 39 percent of the parliament, but they continue to face societal discrimination and violence despite recent advances in the law. Trafficking in persons, including the trafficking of children, is a serious problem along the highway from Maputo to Johannesburg in South Africa. Legal protections for women and children are rarely enforced.

*Countries are ranked on a scale of 1-7, with 1 representing the highest level of freedom and 7 representing the lowest level of freedom. Click here for a full explanation of Freedom in the World methodology.

ANNEX II: FREEDOM HOUSE REPORT – FREEDOM IN THE WORLD –ZAMBIA (2010)[12]

Capital: Lusaka
Population: 12,555,000
Political Rights Score: 3 *
Civil Liberties Score: 4 *
Status: Partly Free

Ratings change

Zambia's civil liberties rating declined from 3 to 4 due to new legal restrictions on the activities of nongovernmental organizations.

Overview

The government and ruling party stepped up pressure on civil society and the media in 2009, including passing a law that increases restrictions on the activities of nongovernmental organizations. Former president Frederick Chiluba, found guilty of corruption in a British high court in 2007, was acquitted of the charges and has enjoyed a political rehabilitation at the hands of President Rupiah Banda. Meanwhile, two foreign governments suspended funding to Zambia's health sector in the wake of corruption scandals in the ministry of health.

Zambia gained independence from Britain in 1964. President Kenneth Kaunda and his United National Independence Party (UNIP) subsequently ruled Zambia as a de facto— and, from 1973, a de jure—one-party state. In the face of domestic and international pressure, Kaunda agreed to a new constitution and multiparty democracy in 1991. In free elections that October, former labor leader Frederick Chiluba and his Movement for Multiparty Democracy (MMD) captured both the presidency and the National Assembly by wide margins. However, in the 1996 elections, the MMD-led government manipulated candidacy laws, voter registration, and media coverage in favor of the incumbents. Most opposition parties boycotted the polls, and the MMD renewed its parliamentary dominance.

Dissent within the MMD, as well as protests by opposition parties and civil society, forced Chiluba to abandon an effort to change the constitution and seek a third term in 2001. Instead, the MMD nominated Levy Mwanawasa, who went on to win the 2001 elections. The MMD also captured a plurality of elected parliament seats. Domestic and international election monitors cited vote rigging and other serious irregularities. In the September 2006 presidential poll, Mwanawasa won a second term with 43 percent of the vote. In concurrent legislative elections, the MMD won 72 seats in the 150-seat parliament, while the Patriotic Front (PF) took 44 and the United Democratic Alliance captured 27. The remaining seats were split between smaller parties and independents. The polls were deemed the freest and fairest in 15 years.

Mwanawasa suffered from a stroke in July2008 and died in August. Prior to his death, Mwanawasa and his one-time fierce political rival, Michael Sata of the opposition Patriotic Front (PF), publicly declared an end to their feuding, which had been a source of tension. After years of public rancor over the constitutional reform process, a National Constitutional Conference (NCC) was underway in 2008, although it was boycotted by elements of civil society and the opposition.

[12]   Available at: http://www.freedomhouse.org/template.cfm?page=22&year=2010 (Last accessed 10, December, 2010).

The presidential by-elections in October 2008that followed Mwanawasa's death pitted his vice president, Rupiah Banda, against Sata and Hakainde Hichilemaof the United Party for National Development (UPND). Banda was elected president with 40 percent of the vote, against Sata's 38 percent, and Hichilema's 20 percent. Sata claimed that the elections were fraudulent and filed a legal challenge calling for a recount, but his request was rejected by the Supreme Court in March 2009.

During Banda's time in office, the overall political situation in the country has been characterized by contentious politics and governance challenges. Banda has been in conflict with members of his party who have sought to challenge his leadership and presumed candidacy for polls scheduled for 2011. Meanwhile, government and ruling party actors have taken aggressive and sometimes violent actions against the political opposition and elements of civil society thought to be against the president.

Despite substantial progress from 2004–2007, economic growth slowed in 2008 and 2009 owing to the global economic recession. Increases in the global price of copper in 2009 may generate improvements in 2010, however. Zambia experienced considerable debt relief in 2005 and 2007, and has obtained substantial investment in recent years from China. The International Monetary Fund (IMF) in 2008 pledged $79 million to support poverty alleviation and economic growth, and in 2009, it agreed to provide over $250 million to strengthen and stabilize the kwacha.

Political Rights and Civil Liberties

Zambia is an electoral democracy. While local and international observers declared the 2008 presidential elections to be free and fair, opposition parties and civil society groups raised concerns about fraud, including the printing of additional ballot papers and the incumbent's use of state resources for campaigning. The president and the unicameral National Assembly are elected to serve concurrent five-year terms. The National Assembly includes 150 elected members, as well as 8 members appointed by the president.

The opposition has been able to operate, although under some duress. PF leader Sata has been arrested and charged with various offenses, including sedition, since 2001. While violent clashes took place between supporters of the PF and the MMD in both 2008 and 2009, there is no evidence of systematic harassment of the PF by the government. In March 2009, the PF joined hands with the UPND to challenge the MMD in the 2011 elections.

While President Rupiah Banda's government launched an official anti-corruption policy in July 2009, concerns have emerged over his administration's commitment to anti-corruption efforts. One of Banda's ministers was forced to resign in April 2009after being found guilty by a judicial tribunal of inappropriate behavior. However, a high court ruling overturned the verdict, and the minister was subsequently re-appointed to a cabinet position. Banda has also abetted the political rehabilitation of former president Frederick Chiluba. A 2007 British high court judgment against Chiluba on corruption charges has not yet been registered or enforced in Zambia. Another corruption trial in a Zambian high court in August 2009 found the former president not guilty of embezzlement charges. When the head of a special task force on corruption attempted to appeal this ruling, he was dismissed from his position. Separately, an auditor general report issued in early 2009 stated that huge sums of money had been lost in 2007 through misuse, theft, and misappropriation of public resources. Also in 2009, the Swedish and Dutch governments both suspended funding to the health sector after it was revealed that millions of dollars had been embezzled from the ministry of health. Zambia was ranked 99 out of 180 countries surveyed in Transparency International's 2009 Corruption Perceptions Index.

Freedom of speech is constitutionally guaranteed, but the government often restricts this right in practice. The government controls two widely circulated newspapers, and owing to prepublication review, journalists commonly practice self-censorship. The state-owned, progovernment Zambia National Broadcasting Corporation (ZNBC) dominates the broadcast media, although several independent stations have the capacity to reach large portions of the population. The government has the authority to appoint the management boards of ZNBC and the Independent Broadcasting Authority, which regulates the industry and grants licenses to prospective broadcasters. The government has also delayed passage of a bill designed to give the public and journalists free access to official information. The independent media continue to play a significant role, although journalists have been arrested, detained, and harassed by government and MMD supporters in previous years. Criminal libel and defamation suits have been brought against journalists by MMD leaders in response to stories on corruption.

Conditions for the independent press and media deteriorated considerably in 2009. The government and ruling party aggressively harassed and interfered with press outlets deemed opponents of the administration, specifically the leading independent newspaper, the Post. As of July 2009, the Post's staff had been physically or verbally attacked by MMD members on at least six occasions. In July, the government brought charges against the Post's editor for distributing obscene material after a photo of a woman giving birth on the street was circulated. In August, the government threatened to introduce a bill to regulate the media if it failed to come up with its own regulatory body.

Constitutionally protected religious freedom is respected in practice. The government does not restrict academic freedom.

Under the Public Order Act, police must receive a week's notice before all demonstrations. While the law does not require permits, the police have frequently broken up "illegal" protests because the organizers lacked permits. In 2009, police detained nine individuals who participated in a public campaign of blowing car horns to protest the acquittal of Chiluba and threatened to disperse meetings of nongovernmental organizations (NGOs) seeking to organize the protests. Although NGOs have operated freely in the past, the government passed legislation in 2009 placing new constraints on their activities. The law requires the registration of NGOs and re-registration every five years and establishes a board to provide guidelines and regulate NGO activity in the country.

Zambia's trade unions are among Africa's strongest, and union rights are constitutionally guaranteed. The Zambia Congress of Trade Unions operates democratically without state interference. About two-thirds of the country's 300,000 formal-sector employees are union members. While collective bargaining rights are protected by statute, labor laws also require labor organizations to have at least 100 members to be registered, a potentially burdensome rule. While unions remain engaged in public affairs, they have become weaker both financially and organizationally in recent years.
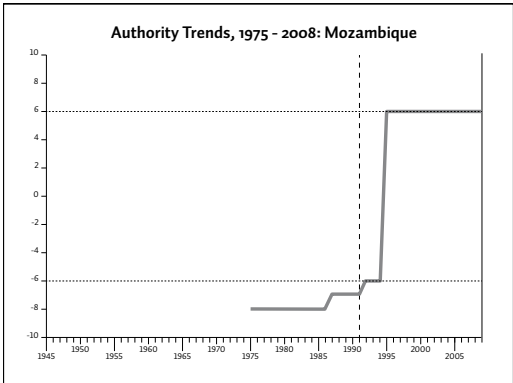
Judicial independence is guaranteed by law. However, several decisions in 2009, including Chiluba's acquittal, tainted the public image of the judiciary and raised concerns that the executive branch was exercising undue influence over the institution. Legislation was also passed in 2009 that allows the executive to increase the number of judges serving on the High and Supreme Courts. The lack of qualified personnel, in part because of poor working conditions, contributes to significant trial delays. Pretrial detainees are sometimes held for years under harsh conditions, and many accused lack access to legal aid owing to limited resources. In rural areas, customary courts of variable quality and consistency—whose decisions often conflict with the constitution and national law—decide many civil matters.

Allegations of police corruption, brutality, and even torture are widespread, and security forces have generally operated with impunity. Prison conditions are very harsh; poor nutrition and limited access to health care have led to many inmate deaths. Despite government efforts in 2007 to reduce crowding, in part by pardoning convicts, overcrowding remains a serious problem.

Societal discrimination remains a serious obstacle to women's rights. Domestic violence and rape are major problems, and traditional norms inhibit many women from reporting assaults. Women are denied full economic participation and usually require male consent to obtain credit. Discrimination against women is especially prevalent in customary courts, where they are considered subordinate with respect to property, inheritance, and marriage. In 2005, an amended penal code banned the traditional practice of "sexual cleansing," in which a widow is obliged to have sex with relatives of her deceased husband. In an alleged effort to intimidate members of civil society, Vice President George Kunda stated in 2009 that the government could prosecute the known homosexuals in the country using legislation passed in 2005 against homosexuality.

*Countries are ranked on a scale of 1-7, with 1 representing the highest level of freedom and 7 representing the lowest level of freedom. Click here for a full explanation of Freedom in the World methodology.

ANNEX III: POLITY IV COUNTRY REPORT 2008: MOZAMBIQUE

Polity IV Country Report 2008: Mozambique				
Score	2007	2008	Change	
Polity:	6	6	0	
Democ:	6	6	0	
Autoc:	0	0	0	
Durable:		14		
Tentative:		No		

Authority Trends, 1975 – 2008: Mozambique

SCODE	**MZM**	CCODE	**541**	Date of Report	**31 December 2009**

Polity IV Component Variables					
XRREG	XRCOMP	XROPEN	XCONST	PARREG	PARCOMP
3	3	4	4	2	4

Date of Most Recent Polity Transition (3 or more point change)

End Date	27 October 1994	Begin Date	28 October 1994

Polity Fragmentation: No

Constitution	1990
Executive(s)	President Amando Guebuza (FRELIMO) initialy directly elected December 2004; reelected 28 October, 76%

Legislature	Unicameral:
	Assembly of the Repuplic (250 seats: proportionaly elected; most recent elections, 28 October 2009)
	    Front for the Liberation of Mozambique (FRELIMO): 191
	    Mozambique National Resistance (RENAMO): 51
	    Democratic Movement of Mozambique (MDM): 8

Judiciary	Supreme Court

Narrative Description[13]:

Executive Recruitment: *Competitive Elections* (8)

After thirteen years of military struggle with the Front for the Liberation of Mozambique (FRELIMO), Portugal abandoned its colonial claims on this poor East African country in 1975. Without holding elections or a national referendum, Samora Machel was appointed president of Mozambique and his Marxist-based FRELIMO was designated as the country's only legal

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[13]   The research described in this report was sponsored by the Political Instability Task Force (PITF). The PITF is funded by the Central Intelligence Agency. The views expressed herein are the authors' alone and do not represent the views of the US Government.

party. Following President Machel's death in 1986, FRELIMO's Central Committee designated Joaquim Chissano as his successor. In an effort to end the country's long-running civil war with the South African-backed Mozambican National Resistance Movement (RENAMO), President Chissano accelerated reforms aimed at transforming Mozambique into a multi-party democracy. The 1990 constitution paved the way for the conduct of the country's first multi-party presidential elections in 1994. International observers described the 1994 elections, which were won by President Chissano, as meeting the minimum standards for a procedural democracy. RENAMO, which signed a peace accord with the government in 1992, accepted these results and agreed to cooperate with FRELIMO in the post-election era. President Chissano was re-elected in 1999 in controversial elections that sparked sporadic violence between FRELIMO and RENAMO supporters. While RENAMO claimed that fraud and electoral irregularities plagued both the presidential and parliamentary elections of 1999, nevertheless, international observers deemed them to be relatively free and fair. In 2001 there was a simmering debate between old-line socialists within FRELIMO and supporters of President Chissano over the future of the party and its leadership. In September 2004 President Chissano declared that he would not run for a third term in the December elections.

Eight presidential candidates and twenty-five political parties participated in the national elections of December 2004. Despite very low voter turnout and claims by RENAMO of electoral irregularities, both the presidential and legislative elections were deemed to be largely free and fair by international observers. While these observers noted some shortcomings and irregularities, nevertheless, they argued that they were not sufficient to alter the election results. The FRELIMO presidential candidate, Armando Guebuza, won a landslide victory while his party showed impressive gains in the National Assembly. President Guebuza was reelected with 75% of the vote in 28 October 2009 elections. Immediately following the polls, RENAMO general secretary Ossufo Momade demanded that the elections be annulled due to "massive fraud" and a transitional government be set up to run the country until the electoral laws could be overhauled and new polls organized; he suggested that "new sacrifices" may be necessary to "save democracy" in Mozambique.

Note: The active dominance of the ruling FRELIMO over the electoral process and government policy ensures that the party will not a seriously challenged by opposition groups. In view of these structural advantages and the ruling party's exploitation of these advantages, executive selection in Mozambique must, at best, be viewed as "transitional or restriction election" since the end of the civil war and beginning of multi-party elections in 1994.

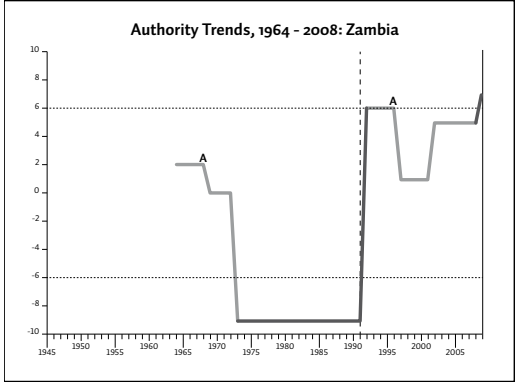### Executive Constraints: *Moderate Limitations* (4)

Despite functioning as a multi-party democracy since 1994, policymaking and implementation processes in Mozambique continue to be dominated by the central leadership of FRELIMO. The National Assembly, which actively debates government initiatives and does generate some independent legislative proposals, nevertheless, remains clearly subordinate to the executive branch. Moreover, the weak judiciary remains unable to provide an effective check on the power of the executive branch.

In November 2004 the parliament passed some minor revisions to the constitution. While these changes did not place any significant limitations on the president or significantly increase the power of the legislature, nevertheless, it did place the head of state firmly under the rule of law. Under these revisions, the president is no longer immune from criminal prosecution or legislative impeachment.

Political Participation:

Political Liberaliztion: Limited and/or Decreasing Overt Coercion (9)

Until 1992 FRELIMO was the only legally recognized party in Mozambique. Since then over twenty-five parties have formed in this country, the most significant being the civilian arm of RENAMO. While RENAMO has agreed to cooperate with FRELIMO under this new democratic system, nevertheless, political tensions between the two parties remain high. While the government continues to accuse RENAMO of maintaining ties to groups of armed guerrillas, RENAMO accuses the FRELIMO-dominated government of electoral malpractice and the use of state funds for political purposes. Tensions between these two groups escalated in the aftermath of the December 1999 elections. Violent anti-government demonstrations and the boycott of RENAMO parliamentarians resulted in heightened tensions in 2000. At the peak of their boycott, RENAMO threatened to form a government of its own in the six northern and central provinces where its political support is strongest. RENAMO parliamentarians ended their boycott of the National Assembly in October 2000. Despite the contentious political atmosphere in Mozambique over the past couple of years, the FRELIMO government continues to seek a compromise with opposition forces and has accepted several proposals from these groups, revising the electoral law and in 2004 revising several controversial aspects of the constitution.

ANNEX IV: POLITY IV COUNTRY REPORT 2008: ZAMBIA

Polity IV Country Report 2008: Zambia			

Score	2007	2008	Change
Polity:	5	7	+2
Democ:	5	7	+2
Autoc:	0	0	0
Durable:		7	
Tentative:		Yes	

Authority Trends, 1964 - 2008: Zambia

SCODE	**ZAM**	CCODE	**551**	Date of Report	**31 December 2009**

Polity IV Component Variables

XRREG	XRCOMP	XROPEN	XCONST	PARREG	PARCOMP
3	3	4	5	2	4

Date of Most Recent Polity Transition (3 or more point change)

End Date	27 December 2001	Begin Date	28 December 2001

Polity Fragmentation: No

Constitution	1991
Executive(s)	President Rupiah Banda (MMD) became acting president on 29 June 2008 when President Levy Mwanawasa suffered a stroke and later died, directly elected, 30 October 2008, 40,1 %
Legislature	Unicameral: National Assembly (159 seats: 150 directly elected, 8 appointed by president and the Speaker; most recent elections, 28 September 2006) Movement for Multiparty Democracy (MMD): 72 Patriotic Front (PF): 44 United Democratic Alliance (UDA): 27 Other parties: 3 Non-partisans: 2 Vacant (not determinent): 2 Appointed members: 8 Speaker: 1
Judiciary	Supreme Court

Narrative Description[14]:

Executive Recruitment: *Competitive Elections* (8)

With the creation of the independent state of Zambia in 1963, Dr. Kenneth Kaunda, leader of the United National Independence Party (UNIP), became the country's first president. President Kaunda declared Zambia a one-party state in 1972 and ruled continuously for the next two decades. As popular opposition to his rule increased in the late 1980s, President Kaunda agreed to end one-party rule. In October 1991, in the first multiparty election in more than twenty years, Kaunda lost the presidency to Frederick Chiluba, leader of the newly formed Movement for Multiparty Democracy Party (MMD). In legislative elections held simultaneously with presidential balloting the MMD also secured an overwhelming victory, winning 131 of 150 National Assembly seats. Despite the return of competitive electoral politics to Zambia, hopes of democratic consolidation soon evaporated as President Chiluba concentrated on consolidating his own power through the periodic use of emergency decrees, control of the media and, most importantly, through the manipulation of the constitution. Relying on the MMD's overwhelming majority in the National Assembly, President Chiluba pushed through a series of constitutional amendments in May 1996 that made only second-generation Zambians eligible for the office of president. The immediate political implication of this amendment was to make Kenneth Kaunda, Chiluba's primary political challenger, ineligible for the post of president. Not surprisingly, in the November 1996 elections President Chiluba easily defeated his weakened and fractured opposition. While there was no evidence of substantial or widespread vote rigging or fraud, nevertheless, the overt manipulation of the country's constitution for political ends seriously eroded the democratic character of executive recruitment in Zambia.

After a protracted effort by President Chiluba to re-write the constitution to allow a third term in office, Chiluba finally announced that he would not compete in the presidential elections scheduled for November 2001. President Chiluba arrived at this decision only after facing significant opposition from both inside and outside his party. Despite the overwhelming dominance of Chiluba's MMD in the National Assembly, over fifty percent of the MPs signed a petition vowing to oppose his proposed amendment to the constitution. In the face of increasing street protests and widening fissures within his own party and cabinet, Chiluba abandoned his desire to seek a third term. However, in a last gasp effort to secure his influence in the future government, President Chiluba sidestepped party procedures and hand-picked the MMD's candidate for the upcoming election, Levy Patrick Mwanawasa. Mwanawasa had been vice president in the first Chiluba administration but resigned in 1994, citing extensive corruption in government as his motive.

While largely free from political violence, nevertheless, the presidential election of 27 December 2001 was characterized by widespread party fractionalization, incidents of voting irregularities and poor management. Despite winning a combined seventy percent of the popular vote, none of the ten opposition candidates in the campaign could defeat Levy Mwanawasa, who won only twenty-eight percent of the ballots cast. While the presidential campaign was not overtly fraudulent, international electoral observers indicated that pre-election manipulation of the process and numerous administrative hitches had distorted the playing field in favor of the candidate of the ruling party. The MMD's abuse of public resources in campaigning and its control over the state-run media gave Mwanawasa an unfair advantage, while logistical and admin-

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istrative shortcomings disenfranchised thousands of people across the country (mostly in rural communities with pro-opposition leanings). Both the European Union and the Carter Center indicated that the election results did not reflect the will of the people. However, despite the irregularities associated with this election, the failure of the deeply divided opposition to promote a coalition candidate also provided significant insights into the electoral success of Mwanawasa.

The autonomy of President Mwanawasa from Chiluba – who remained head of the MMD –was initially unclear. During the campaign Mwanawasa presented himself as both a political reformer and a populist. His pledge to eliminate the presidential discretionary funds used extensively by Chiluba to buy political loyalty and his desire to soften the country's adherence to the structural adjustment policies negotiated by his predecessor both indicated a general desire by Mwanawasa to distance himself from his political benefactor. Nevertheless, given the manner in which President Mwanawasa gained his party's nomination, it was widely perceived that his main function as president would be to protect Chiluba and his associates from their legacy of corruption and theft of public funds. However, the autonomy of Mwanawasa from Chiluba became evident in July 2002 when the President asked Parliament to lift Chiluba's immunity from prosecution. With the arrest of Chiluba on sixty counts of theft and abuse of office, divisions within the ruling MMD have emerged. In 2003, Chiluba was arrested on corruption charges but his prosecution in Zambian courts was difficult due to conflicting loyalties in both the bureaucracies and the judiciary. However, the prosecution was given a boost in May 2007 when the high court in London issued a ruling concurring with the Zambian courts that Chiluba and several prominent officials in his administration were guilty of misappropriating public funds during their tenure.

Mwanawasa retained control of the executive in elections on 28 September 2006, winning forty-three percent of the vote. He faced a significant challenge in the election by two opposition parties, but the split opposition left neither opposition candidate with a real chance of winning the election. Michael Sata of the Patriotic Front polled strongly in the urban areas but returns from the rural areas showed strong support for the MMD and Mwanawasa. President Mwanawasa suffered a stroke on 29 June 2008 while attending an African Union summit meeting and died on August 19. New presidential elections were held on 30 October 2008 and won by MMD candidate Rupiah Banda by a very narrow margin over Michael Sata.

Executive Constraints: *Substantial Limitations* (5)

The executive branch wields significant authority within the Zambian political system. Although the constitution gives the National Assembly substantial powers, in practice it has historically provided only a limited check on presidential authority. However, the legislative elections of December 2001 altered the balance of power in the Zambian political system. Despite the flawed nature of the electoral campaign, the new Parliament, in which opposition parties held at least 76 of the 158 seats, was the most representative since the country acquired independence from Britain. While the MMD still held an absolute majority in the National Assembly, the one-party dominance that characterized the legislature during the Kuanda and Chiluba years effectively came to an end.

Unable to easily garner the two-thirds majority vote to pass many controversial bills, President Mwanawasa has been forced to negotiate executive branch policy initiatives with a relatively strong Parliament. However, in a gamble to limit the power of the opposition in the legislature, in late January 2002 the MMD sought to hijack the position of speaker of the house through unconstitutional means. The MMD sought to elect a sympathetic speaker through a closed election within the Assembly, despite the Constitutional requirement that this

position be filled through an open electoral ballot. Fearing that the MMD had bribed some opposition MPs to vote for their candidate, the opposition staged a boycott of the institution until this issue could be resolved.

Also contributing to the enhancement of horizontal accountability in Zambia in recent years is the relative strength of the judiciary. While the judicial branch was unable to stop President Chiluba from manipulating the constitution for political ends, nevertheless, during the past decade it has shown some autonomy from the executive branch. Most recently, the Supreme Court has agreed to hear a case against President Mwanawasa. In this case, held during early 2003, damaging testimony was presented which indicated that the President was involved in acts of electoral fraud during the 2002 campaign.

In December 2004 Zambia's main opposition, the United Party for National Development, staged a demonstration against the government's decision to delay the promulgation of a new constitution until after the 2006 elections. The opposition actively pressured the government throughout 2004 to reform the constitution in an effort to protect civil liberties and reduce what they call the "excessive powers" vested in the executive branch. Although the Constitutional Review Commission appointed by the President in 2003 indicated that a draft constitution would be ready by March 2005, Mwasnawasa has suggested that he does not expect the new constitution to be promulgated before 2008. Under the terms of the draft constitution, a presidential candidate would have to win more than fifty percent of the vote to assume the office of president. President Mwanawasa picked up less than twenty-nine percent of the vote in 2001, but he did achieve forty-three percent in 2006.

Political Participation:
Political Liberalization: Limited and/or Decreasing Overt Coercion (9)

While relatively peaceful in comparison to many of its neighbors, nevertheless, factional struggles provide a strong undercurrent to Zambian politics, an undercurrent that threatens to wash away the political stability to which most Zambians have become accustomed. While over thirty political parties freely operate in Zambia, throughout the 1990s the government of President Chiluba used its control of the political institutions of governance (including the media) to actively undermine the ability of these parties to effectively challenge the political hegemony of the MMD. The fundamental division since the 1990s was between President Chiluba's MMD and Kenneth Kaunda's UNIP (Kaunda resigned from his position as head of UNIP in March 2000). This factional division has been associated with at least one failed coup attempt and numerous assassination attempts. However, the factional nature of Zambian politics runs deeper than the MMD-UNIP split. As the last decade came to a close, factional struggles within each of these parties increasingly turned violent. The MMD is increasingly divided along ethnic lines (Bemba vs. non-Bemba) while power struggles inside UNIP have become more intense as political contenders seek to fill the power vacuum left by the departure of Kuanda. In November 1999 Wezi Kaunda, heir apparent to his father's leadership role in UNIP, was killed. While many observers of Zambian politics have pointed the finger at the MMD as being behind this murder, many others believe that it stemmed from the anti-Kaunda faction in UNIP, led by Secretary General Sebastian Zulu.

In the months prior to the December 2001 election the government sought to limit opposition voices through censorship, intimidation and the manipulation of the legal and electoral codes. However, despite the occurrence of some political violence in the northern provinces of Zambia, the remainder of the country was relatively calm. While several opposition parties threatened to stage mass demonstrations across the country in an effort to discredit the

government of President Mwanawasa, outside of some minor disturbances in Lusaka (whose citizens voted overwhelmingly for the opposition) the country remained peaceful during and following this election. The 2006 election, won by Mwanawasa, was also generally peaceful, but still characterized by polar factionalism. Particularly vexing to the Mwanawasa government has been the continuing agitation led by the main opposition candidate Michael Sata of the Patriotic Front who has rallied his supporters in the urban centers and the copper-producing region against government policies and the growing influence of Chinese investment.

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