

Understanding Development Aid and State Autonomy:
The case of European Union Budget Support to Mozambique

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Abstract

Post-colonial states in Africa continue to pursue nation-building and socio-economic development. This process is taking place with the sustained support of global agencies in terms of development cooperation, assistance and aid. Insofar as an endogenous development path which speaks to national priorities can be formulated and implemented by post-colonial states, their relationship with these agencies raises serious questions about such a path if the relationship entails dependence and indeed subordination of post-colonial states. This raises important questions about state autonomy under post-colonial conditions and the possibility of autonomy being compromised. In this light, the thesis examines European Union budget support to Mozambique and, in particular, the relationship between EU budget support and Mozambique state autonomy in pursuing national development. This is particularly pertinent given the massive dependence of the Mozambican state on foreign funding (notably EU funding) with specific regard to the national budget. Despite the broad claims existing in the prevailing literature that nation-state autonomy is seriously undermined in and through the international development system, the thesis argues against reductionist arguments that simply posit post-colonial states as mere instruments of global forces. This system, including European Union budget support, does indeed set the conditions of existence for post-colonial states such as Mozambique. But autonomy is necessarily relative and is subject to different forms and degrees. Ultimately, it is through empirical investigation that the specific form and degree of autonomy can be pinpointed and understood. The thesis contributes to this endeavour and suggests that the relationship between European budget support and Mozambican state autonomy is more complex and tension-riddled than the prevailing literature would seem to suggest.

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Acronyms

ACP	:	Africa, the Caribbean and Pacific
ADB	:	African Development Bank
AFT	:	Aid for Trade
ASEAN	:	Association of South–East Asian Nations
AU	:	African Union
CEMAC	:	Economic and Monetary Community of Central Africa
CSO	:	Civil Society Organization
CSP	:	Country Strategy Paper
EC	:	European Community
ECOWAS	:	Economic Community of Western African States
EDF	:	European Development Fund
EEAS	:	European External Action Service
EEC	:	European Economic Community
EPAs	:	Economic Partnership Agreements
EU	:	European Union
G19	:	Group 19 (Programme Aid Partners)
GBS	:	General Budget Support
GDP	:	Gross Domestic Product
GoM	:	Government of Mozambique
HIPIC	:	Highly Indebted Poor Countries
ILO	:	International Labour Office
IMF	:	International Monetary Fund
JAES	:	Joint EU-Africa Strategy
JSC	:	Joining Steering Committee

MDGs	:	Millennium Development Goals
MF	:	Ministry of Finance
MINEC	:	Ministry of Foreign Affairs and Cooperation
MoU	:	Memorandum of Understanding
MPD	:	Ministry of Planning and Development
NIP	:	National Indicative Programme
ODA	:	Official Development Aid
OECD	:	Organization for Economic Cooperation and Development
PAF	:	Performance Assessment Frameworks
PAP	:	Programme Aid Partnership
PARP	:	Plano Para Redução da Pobreza (Plan for the Reduction of Poverty)
PARPA	:	Programa de Acção para a Redução da Pobreza Absoluta (Action Programme for the Reduction of Absolute Poverty)
PES	:	Plano Económico Social (Economic Social Plan)
PRE	:	Programma de Reabilitação Económica (Economic Rehabilitation Programme)
PRES	:	Programma de Reabilitação Económica e social (Economic and Social Rehabilitation Programme)
PRSP	:	Poverty Reduction Strategy Paper
RA	:	Revisão Annual (Annual Review)
SADC	:	Southern African Development Community
SAP	:	Structural Adjustment Programme
SSA	:	Sub- Saharan Africa
SWAPs	:	Sector Wide Approaches
TEC	:	Treaty Establishing the European Community
UN	:	United Nations
UNDP	:	United Nations Development Programme
UNRRA	:	United Nations Relief and Rehabilitation Administration

WB : World Bank

WTO : World Trade Organization

Chapter One

Introduction

1.1 Introduction

Post-colonial states in Africa, including Mozambique, continue to pursue nation-building and socio-economic development. This process is taking place with the sustained support of multi-lateral and bilateral agencies in terms of development cooperation, assistance and aid, including regional blocs such as the European Union. Insofar as an endogenous development path which speaks to national priorities can be formulated and implemented by post-colonial states, their relationship with these agencies raises serious questions about such a path if the relationship entails dependence and indeed subordination of post-colonial states. These questions in particular focus on state autonomy under post-colonial conditions and the possibility of basic principles of sovereignty and autonomy being compromised and undermined. In this regard, it is axiomatic that development cooperation, assistance and aid are provided on the basis of two main motivations: philanthropic sentimentalism and the promotion of self-interest. The latter motivation, it is regularly argued, forms the bedrock of support emanating from development agencies and hence the deep concern about the impact of such support for the development policies of post-colonial states. In this light, the thesis examines European Union (EU) budget support to Mozambique and, in particular, the relationship between EU budget support and Mozambique state autonomy in pursuing national development.

1.2 Research Objective and Context

The main objective of the thesis therefore is *to examine and understand the relationship between European Union budget support to Mozambique and Mozambican state autonomy in seeking national development objectives.*

This is particularly pertinent given the massive dependence of the Mozambican state on foreign funding (notably EU funding) with specific regard to the national budget. The existing literature on the international aid system and budget support in particular almost leads to a universal conclusion, namely, that state autonomy for post-colonial nations is highly if not completely compromised by the integration of these nations in a subordinate manner into the aid system and the global economy more broadly. The working hypothesis

for this thesis therefore invariably must be formulated by assuming that Mozambican state autonomy in pursuing national development is almost non-existent in the face of EU budget support.

From the outset, then, it must be recognised that the relationship between Mozambique and the European Union is asymmetrical. Mozambique, given its troubled colonial past and current development deficits, urgently requires development cooperation or at least is convinced that it does, or perhaps recognises no other real alternative. At the same time, it has only limited bargaining power in determining the terms and conditions of development cooperation. The EU, as a regional power bloc with a global reach, has the capacity to disperse funds (including in the form of budget support) based on a strict list of criteria (normally labelled as conditionalities) which must be met by the recipient nation (in this case, Mozambique). This asymmetry or power differential, in the form of Mozambican subordination to the EU, invariably poses serious challenges to the Mozambican nation-state in seeking to prioritise developmental initiatives which go contrary to the priorities set by the EU as part of its standard international development package.

Of course, all nation-states are embedded in an international system of nation-states and the global capitalist economy, such that to talk of state autonomy (in any absolute sense), even for the global hegemonic powers, is hugely problematic. But the undercutting of autonomy does impact particular nation-states differently (including different degrees and different forms) and nations in the so-called peripheries of the global capitalist system face unique challenges.

But specific claims about the absence of state autonomy within the capitalist periphery must be treated cautiously because they assert or only imply certain theoretical claims which sit uncomfortably within sociology. To argue for instance that the Mozambican state has no autonomy is to treat the state simply as an instrument of the EU and other global forces and this leads to very reductionist and functionalist-type arguments. Perhaps it is wiser theoretically to speak of 'relative autonomy' (of different degrees and forms) which in the end must be subject to concrete analysis. Certainly, it is problematic sociologically to read-off empirical happenings from theories (of for example, neo-liberal globalisation) and thus reach conclusions without sound empirical understandings. In this sense, it is best to consider the system of global dominance (which indeed exists) as a condition of existence of the Mozambican state rather than as a constraint which inhibits and cuts off all room for manoeuvre by the state. Conditions of existence are not devoid of constraints but they do allow for scope for a range of practices (within limits) and thus restore some degree of

agency to nation-states. Ultimately though, as indicated, questions about state autonomy in the context of the international development system require concrete – historically- and spatially-specific– empirical research. This thesis is an attempt to offer such research in the case of Mozambique and the EU.

In this context, it is important to highlight that Mozambique is an aid dependent country. This status is related to the extreme poverty levels within the country. In 1997, 75% percent of the population lived below the poverty datum line. In spite of the reduction from 75% to 57% of Mozambicans living below the poverty datum since then, Mozambique remains a very poor country. The government (or state) of Mozambique made a deliberate decision subsequent to independence in 1975 to extricate the country out of poverty. However, the nation – because of the brutal history of Portuguese colonialism, the armed struggle waged against the colonial regime, an ensuing internal war against the Mozambican state and backed by the apartheid regime, and subsequent failed post-colonial development initiatives including socialist-inspired and structural adjustment programmes – has never experienced meaningful national development (Abrahamson Hans, 1999, Sheldon, 1997).

During colonial rule, the Portuguese sent the revenues obtained from the country to Lisbon and at independence in 1975 they destroyed all assets they could not take with them. The economic problems faced by Frelimo (Mozambique's ruling party) after independence were compounded by the adoption of a socialist development framework which some argue grossly distorted prices and incentives (Plank 1993). Most notably during the 1980s, the government engaged in a war with armed Renamo rebels fully supported by apartheid South Africa. Some like to call it a civil war (Vines, 1991) while others call it a war of destabilization (Thomas Ohlson, 1988). The war ended with a peace agreement in 1992.

During the war years, the economy collapsed and rural production and the national transportation network were severely disrupted (Manning and Malbrough, 2010). With an economy in tatters, the country signed a (post-socialist) Structural Adjustment Programme (SAP) in 1987 with the International Monetary Fund, and then implemented reforms which fundamentally changed macro-economic strategy. The SAP's market-led reform heightened levels of regional inequality within the country (Silva, 2007). Further, the Mozambican state was unable to promote a strong independent national development project; instead, it implemented standard Washington Consensus policies proposed and enforced by donors. With the constraints represented by war and the dire need to reverse the economic decline, the government did not seemingly have a choice but to pursue the Washington Consensus formulae for receiving aid. The state programmes, including action programmes intended to

reduce absolute poverty, were effectively designed and implemented using the prescriptions from the International Monetary Fund.

In fact, since the implementation of structural adjustment, there has been a long and deepening process of reliance on Western donors in terms of both multilateral and bilateral aid, with a pronounced neo-liberal agenda underpinning this aid. Inward flows of capital make Mozambique among the most aid-dependent countries in the world. In surveying neo-liberal economic restructuring in Mozambique in the mid-2000s, Renzio and Hanlon (2006) argue that continued aid dependence has clearly strengthened the key role that donors play in all stages of the development policy process of the Mozambican state. This argument seems to be corroborated with reference to the state's policy documents (such as five-year development plans and the country's poverty reduction strategy paper), which are consistent with donor strategies for development. In this way, it is regularly argued that development aid (for instance in the form of budget support) is an extension of a donor's strategic interests vis-à-vis the aid recipient country and, therefore, Mozambique in particular is in the vice grip of donors. The thesis unpacks this argument and then goes on to examine it with particular reference to the EU and Mozambique.

1.3 Research Methods

The research for the thesis is based on primary documentation and informal interviews. The fieldwork, involving informal interviews in Mozambique, took place intermittently over the period from August 2012 to June 2013.

Primary documentation was collected from a vast array of sources and focused on documentation originating from the European Union and the Mozambican government. The EU documentation, which was gathered from internet sources, dealt with the EU and its organisational structure and history; the EU and its foreign policy and international development initiatives; and the EU and its relationship specifically with Mozambique over time. The documentation pertaining to Mozambique was primarily government documentation, either gathered through internet sources or collected during field trips to Mozambique. This documentation focused on national development in Mozambique, as contained in policy, planning and programmatic documents. All documentation, as listed in the end-of-thesis references, is cited and/or quoted in the thesis where appropriate.

Interviews were conducted with key informants in Mozambique, including state officials. The interviews were based on pre-prepared open-ended questions (Singleton Royce et al., 1993) followed by probing questions where necessary. The interview schedule appears

as an appendix at the end of the thesis (see Appendix 1). Interviews were conducted in both English and Portuguese (I am fluent in both languages) depending on the preference of the interviewee. All interviews were tape-recorded and then transcribed later. The interviewees in the main requested anonymity and I have abided to any such request in the writing of the thesis. There were three groups of interviews conducted in the field.

The first group is from the Ministry of Planning and Development, a ministry which is directly involved in the budget process in Mozambique and liaises with the EU on a constant basis. The type of information collected included: the criteria for eligibility to EU budget support, the management of the budget funds from the EU, and the relationship between donor funding and domestic revenue for the national budget. A number of state officials in the Ministry were interviewed both separately and as part of a focus group. It should be highlighted that access to state officials in Mozambique for research purposes, as is the case with other countries, is extremely difficult. And not all state officials approached for purposes of interviews agreed to be interviewed. This was particularly the case because of the sensitivity of the research topic – given the extreme dependence of the Mozambican state on EU budget support, it would be difficult for state officials to openly speak about the relationship between the EU and Mozambique in a critical manner. Nevertheless, perseverance in the field eventually led to the conducting of interviews with important state officials.

A second group of key informants is involved in monitoring and evaluating Mozambique's national development plans and practices in the context of budget support from donors such as the EU. The interviewees in this case came from the Debt Group (a civil society group), and the evidence gathered from them included relationships between the state and civil society with regard to national budget preparation, EU influences on the Mozambican state, and Mozambican state capacity in the light of EU conditionalities. The third group of interviewees came from research bodies namely the Higher Institute of International Relations (designated by the Portuguese acronym ISRI), the Centre for Socio-Economic Studies (known as CEEI in Portuguese) and the Historical Archives of Mozambique. From these I gathered information related to, for example, advantages and disadvantages of budget support as an aid modality, state capacity for good governance, and Mozambique state dependence on global forces and institutions.

The primary documentation in-of-itself is a necessary but insufficient basis for pursuing the thesis objective, in large part because this documentation (emanating from the EU and the Mozambican state) is for public consumption and necessarily entails a form of

representation designed to tell a particular story about the relationship between the EU and Mozambique. For this reason, it was necessary to undertake the fieldwork interviews in Mozambique to examine on-the-ground realities which may tell a different story which deviates from the more official representation. Certainly, though, many of the themes contained in the documentation were pursued during the course of the interviews.

In terms of data analysis, a thematic breakdown of both the primary documentation and transcribed interviews was undertaken and the discussion in the thesis of EU budget support to Mozambique in large part follows this thematic arrangement.

1.4 Thesis Outline

Besides the conclusion to the thesis, which seeks to offer a overall synthesis of the thesis, there are four chapters. .

Chapter two provides the theoretical framing for the thesis with specific reference to global capitalism and nation-state autonomy. This is a critical discussion, given that the thesis seeks to examine the question of Mozambican state autonomy with regard to the European Union and budget support. In this chapter, I examine modernisation theory, theories of imperialism and theories of globalisation. In doing so, I draw upon the more radical thinking found within theories of imperialism and globalisation – as these thoughts provide a strong theoretical basis for understanding and analysing the relationship between the European Union and Mozambique. I also look specifically at the notion of state autonomy and draw upon theories which speak to the notion of state autonomy.

Chapter three examines the international aid system as a composite of institutions and processes aimed at delivering development aid on a global scale. The rationale for its existence is the prevalence of underdevelopment and poverty mostly in the South especially in Africa. The North or the West, which is said to be developed, provides development aid as a basis for ensuring development globally. This chapter offers a critical analysis of the international development aid system, a system which in large part is supported by the type of arguments made by modernisation theory. I examine the conceptual underpinnings of development aid and then go on to outline the different modalities of aid including budget support. I then examine development aid with specific reference to Africa.

Chapter four discusses the European Union and Africa. In doing so, I analyse the architecture of the EU and explore the defining characteristics of this regional body, as well as the EU and its external initiatives in relation to foreign policy, trade, development and aid. The relationship between the EU and the Africa-Caribbean-Pacific nations is examined

historically before focusing more specifically on the EU's relationship with Africa with reference to development cooperation and aid. The significance of budget support as an aid modality for the EU is also emphasised. The role of the EU is examined critically in the context of the discussions in the previous two chapters, and this chapter sets the stage for the following chapter on EU budget support to Mozambique.

Chapter five is the core empirical chapter of the thesis. In this chapter, I examine the intricacies of the relationship between the EU and Mozambique with regard to budget support and seek, in so doing, to identify the tensions and ambiguities which exist in this relationship. There seems little doubt that there is a significant power differential between the EU and Mozambique (with the latter being dependent and subordinate), and certainly this is stressed in the chapter. But this is not the entire story. At times, there appears to be room for the Mozambican state to manoeuvre in pursuing socio-economic development. I explore this more nuanced account of the European Union and Mozambican budget support through a range of themes, including conditionalities, intra-state relations and the implementation and management of the budget process. This allows for at least tentative conclusions about the form and extent of Mozambican state autonomy, and this argument is developed more fully in the concluding chapter (chapter six).

Chapter Two

Global Capitalism and Nation-State Autonomy: Theoretical Reflections

2.1 Introduction

This chapter provides the theoretical framing for the thesis with specific reference to global capitalism and nation-state autonomy. This is a critical discussion, given that the thesis seeks to examine the question of Mozambican state autonomy with regard to the European Union and budget support. This chapter is divided into six main sections. First of all, I trace the origins of the concept of development with specific reference to capitalism. Then, in the following three sections, I look at modernisation theory, theories of imperialism and theories of globalisation. In doing so, I draw upon the more radical thinking found within theories of imperialism and globalisation – as these thoughts provide a strong theoretical basis for understanding and analysing the relationship between the European Union and Mozambique. In the following section (section six) I look specifically at the notion of state autonomy and draw upon theories which speak to the notion of state autonomy. In the end, I argue that nation-state autonomy in the context of global capitalism is problematic but that the form and extent of autonomy cannot be read from theory but requires concrete analyses. This provides the basis for the significance of my case-study on Mozambique.

2.2 The Concept of Development

In this section, the very concept of development is unpacked and cross-examined in terms of its origin and evolution in order to set the background for understanding the development theories that follow. Why do we talk of development? What is it anyway? This is critical to the thesis given that the fundamental question underpinning the study is the relationship between development and the nation-state. More specifically, the question is: does state autonomy exist in the international development aid system with reference to budget support by the European Union (EU) to Mozambique? Does Mozambique – or any other country in Africa or the global South more broadly – have the leeway and capacity to design and pursue indigenous development plans in an international partnership with the EU?

Conceptually, and sociologically, the notion of development dates back to the so-called Enlightenment period emerging in the eighteenth century. This period was

characterized by the emergence of new forms of reasoning which went contrary to and undermined earlier medieval world-views. New ways of thinking, which became known as Western and modernist, were soon positioned as the embodiment of unquestioned truth, and modernist thinkers sought to influence the world accordingly including through processes of empire-building and colonialism (William, 2011). The Enlightenment placed emphasis on science, rationality and empiricism which in the following centuries significantly influenced all spheres of Western social life, including understandings of development.

The emergence of ‘the West’ in the Enlightenment age placed Europe, at least from its perspective, at the pinnacle of human achievement. The establishment of modern modes of scientific enquiry and modern institutions, and the building of modern societies starting in nineteenth-century Europe, led under colonialism to a radical – effectively ontological – contrast between Europe and the ‘uncivilized’ spaces of the non-European world. The latter world was said to be characterized by barbarism, backwardness and savagery, as well as by a condition of un-development. Therefore, modernist reasoning depended upon a process of ‘othering’, that is, of positing other societies and cultures as the exact opposite of Western society or culture and doing so in a hierarchical manner: other societies and cultures were devoid of modernist reasoning and were therefore reduced to the lower levels of humanity, defined as undeveloped or uncivilized (Desai and Potter, 2002).

The African continent, despite its rich and diverse history and culture, was lumped together in this way. The colonized nations, whose origins fall outside the realm of the Enlightenment, were unable to chart their own development path and were wholly dependent on colonizing European nations to kick-start their entry into the modern world. Of course, this leading role of the latter nations entailed processes of dispossession, compulsion and violence, but the Enlightenment discourse (or ideology) spoke approvingly of empire-building as a basis for progress for all humanity.

Based on this broad slice of history, it seems clear that the beginning of the modern notion of development can be traced back to Enlightenment thinking. European nations defined themselves as the epitome of development, which was regularly underpinned by concepts such as progress and (a higher stage of) evolution. Thoughts about development, as anchored in the ideas of the Enlightenment period, were manifested in a diverse range of classical thinkers (from economists such as Adam Smith to sociologists such as Auguste Comte). These thoughts entailed an understanding of social change in which societies went through specific stages of human activity and development (based on the application of reasoned and empirically-based scientific knowledge), with Europe clearly at the forefront of

the dynamic of modern change. Non-European nations under colonialism necessarily followed and at a distance, and they had no capacity to pursue a path to development independent of Europe; indeed, from the European perspective, such a path was ruled out *a priori*.

The notion of development received a contemporary boost in the aftermath of World War II and international restructuring. After this war, in 1949, Harry S. Truman (then president of the United States of America), in positioning the United States as world leader, declared nations in the southern hemisphere as ‘underdeveloped areas’. In offering a critique of this discursive portrayal of ‘the other’, Gustavo Esteva (in Sachs 1992:6-7) argues that the human condition of non-development effectively began with Truman’s pronouncement. As he says: “On that day, two billion people became underdeveloped ... they ceased being what they were ... and were transmogrified into an inverted mirror of others reality”. Truman did not coin the term development, but the term acquired contemporary relevance when Truman used it as a symbol of his global policy. Since then, development has meant escape from the undignified condition of un-development in which others are seemingly trapped. Truman’s agenda was to pursue development scientifically and industrially on a global scale, asserting: “We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas” (Sachs, 1992:6). If development elsewhere were to take place, then this development would need to follow the model set by advanced development nations and with the helping hand of the latter.

As the concept of development was being firmly established in this way as central to a discourse about social engineering, and in the context of a history of imperialism (and empire-building) and subsequent de-colonialisation, the concept became increasingly central to theorizing about the global political economy. A range of development theories followed, some quite clearly drawing upon Enlightenment ideas about reason and progress (such as Modernization theory) and others offering a more critical and radical perspective on the existence of global inequalities (including theories about imperialism and dependency) (Willis, 2005). In the following sections I review some of the more important development theories, as this is critical to framing my study of the EU and budget support to Mozambique.

2.3 Modernization Theory

This section considers the relevance of Modernisation theory, which was the hegemonic development theory during the 1950s and 1960s, to the specific topic of the thesis.

Modernisation theorists, notably Talcott Parsons within the discipline of sociology, argue that modernisation of so-called backward or peripheral economies, along the lines of industrialised countries, is the universal remedy for accelerated and sustained national development. Modernisation and by implication development is viewed in fact as a revolutionary-type process (in the sense of a totalising process) whereby all societies invariably go through a series of steps in socio-economic development ultimately leading to a condition of modernity (Dube, 1988). Given that African and other nations were viewed as diametrically opposed to modern society, this entails a total transformation (from pre-modern to modern) leading to new forms of technological, organizational and social features (Coetzee, 1986). This transformation involved a bringing-up-to-the-present; as Chodak argues in conventional usage “to modernize means to render something old fashioned up to date or to reshape something out of date to suit the modern times” (1973:253) Hence, the theory describes the route which newly-decolonized countries (for instance in Africa during the 1960s) would need to take to reach the modern destination called ‘developed’.

Similar to Enlightenment discourse, modernisation theory speaks about the condition of modernity as “a system characterized by a rational and scientific world view, growth and the ever increasing application of science and technology, together with the continuous adaptation of the institutions of society to the imperatives of the new world view and the emerging technological ethos” (Dube 1988:3-4) As evidenced in Parsonian sociology (and Parsons’ variant of systems-theory), this means undergoing certain sub-processes simultaneously: increase in social complexity; control of the environment; increasing specialized adaptation; production and absorption of knowledge; rational understanding and flexibility; and social maturation. In this respect, the modernisation process involves ever-growing systems and deepening structural differentiation notably in relation to the division of labour. This process of constituting more specialized social units is said to apply to all social institutions such as the economy, family, politics, education and religion. For instance, in the economic sphere, modernisation is characterized for example by increased specialization in economic activities and occupational roles, the development of diverse production units directed to the market, and growth in the complexity of commodity markets.

The underlying assumption of the theory is that modernization is by necessity a linear, gradual and cumulative process of progress, moving seemingly un-problematically from pre-modern to modern and without questioning the status of what it means to be modern or which societies are modern. Rapley highlights this when he states that: “Modernization theorists concurred on one important point: underdevelopment was an initial state. The West had

progressed beyond it, but other countries lagged behind” (2007:24). In addition, development as modernisation speaks to the notion of evolution. Le Roux and Graff (in Coetzee et al., 2001:45) put it: “Modernization theory is one of the historical foundation pillars of development studies and evolutionism is one of the central principles of modernization theory”. The move from simplicity to complexity, along an evolutionary path of progress, is firmly embedded in modernisation theorising about human society; and it replicates the evolutionary argument in biology about the human species as the pinnacle of the evolutionary tree. This mega-theorising about social change and the central concepts emerging from it (such as progress, modernisation, development and evolution), has its roots in classical sociology (at least in Emile Durkheim). As Preston writes:

The modernization theorists talk of ‘tradition’ and ‘modern’ whereas the nineteenth century evolutionists, from who comes the modernization theoretical underpinning, spoke of civilization and barbarism. Modernization remains a style of evaluation which measures a society’s progress/status by its proximity to the institutions and values of western, and particularly of Anglo-American, societies (1982:85).

Development came to be conceptually intertwined with capitalist industrialization (Sears 1969) and worldwide capitalist development in the post-war period, and particularly with the power and prestige of the United States. In using the language of the Cold War period, Rapley (2007:24) highlights that modernisation theory “sought to identify the conditions that had given rise to development in the first world, and specify where and why these were lacking in the third world [Africa, Asia and Latin America]”. Insofar as all nations progressed (or would progress) in a linear fashion along the same path toward development, the so-called third world nations were simply undergoing or experiencing a temporal lag (as late-bloomers so to speak) which would be overcome with time and with the assistance of modern first world nations; their future mirrored the past of the latter nations. Modernisation, particularly the variant propagated profusely by Parsons and its prescriptions for development, seemed to fit into the United States’ global agenda and offered discursive legitimation for it. The development path to be followed was made more explicit and fleshed out most notably in the work by Walt Whitman Rostow (1960) and his well-known theory of stages of economic growth, from take-off to complete development (Wills, 2005).

There are major criticisms of modernization theory. Perhaps the most important criticism, at least for the purpose of this thesis, is its claim that nations in the periphery are un-developed independent of their historical relationship under colonialism to developed nations. In other words, it is argued that un-development is an initial condition which can

only be rectified and overcome by integration into the global political economy. The history of colonialism proves otherwise, namely, that such integration – through the colonial encounter – has only served to impoverish nations of the periphery leading to a condition more aptly labelled as under-development rather than un-development; the history of Mozambique, as discussed later in the thesis, demonstrates this. Development therefore is anything but linear and a gradual and certain progression to the world of modernity.

This leads to initial critical doubts about the significance of European Union involvement in Mozambique in overcoming national development deficits. At the same time, though, discursively it may be that modernisation theory – because of its widespread propagation and appeal – serves as an explanatory guide to establish reasons why for instance the Mozambican state may at times perceive development as necessitating externally-driven industrialization; though, as argued later, this engagement with the global economy in setting development priorities in Mozambique is perhaps based more on compliance than consent on the part of the nation-state. Because of this, it is necessary to consider alternative, more radical, theories of development, including those based on the notion of imperialism.

2.4 Theories of Imperialism

The very existence and character of imperialism has been said to constitute the central question of the modern age, and was defined a century ago by Vladimir Lenin as the latest stage of capitalism. As Samir Amin argues, albeit over thirty years ago: “This should in fact be the central question for all proponents of socialism, in the imperialist metropolitan centers as well as in the dominated peripheries, and should certainly not be the overriding concern of the Third World alone” (Amin, 1976:106).

Certainly, Amin’s words carry great weight in highlighting the significance of imperialism in understanding inter-state relations in a globalising world. Imperialism, involving global relations of domination and subordination between nation-states, involves empire-building. Indeed, the word ‘empire’ comes from the Latin word *imperium* meaning ‘sovereignty’ or ‘rule’ (Howe, 2002). Later, Republican Rome extended the word *imperium* to include the “rule over extensive, far-flung territories, far beyond the original ‘homeland’ of the rulers” (Howe, 2002). Following this, Twaddle (1992:1) simply defines imperialism as “rule of foreigners by capitalist strangers”.

Ultimately, the term has come to be known as “the coercive incorporation of territories, along with their economies, social formations and political systems, into wider structures of power dominated by ‘foreigners’” (Ritzer, 2005:394). Or, as Mommsen

(1980:125-126) puts it, imperialism is a “[p]henomenon of power politics, consisting essentially in the extension of the rule of the European great powers to all parts of the globe”, entailing the forcible extension of political rule to ... underdeveloped territories, regardless of the wishes of the conquered peoples”. Imperialism and colonialism are often used interchangeably and are frequently used as synonyms. Colonialism though is simply one historical form of imperialism, with the latter continuing until this day under the catch-word of globalisation.

Imperialism, in whatever form, is related to the rise of modern nation-states and nationalism in advanced societies and their quest to realise their nation-building projects through empire-building (Lenin, 1963). From a state-centred perspective on global conquest, imperialism then is regarded as a necessary consequence of the creation of nation-states and seeks to preserve, strengthen and extend nation-building beyond the territorial space of the nation-state (Mommsen, 1980). A more capital-centred perspective on imperialism would focus more on the internal contradictions of capitalism in advanced societies and the manner in which these contradictions are resolved or minimised through imperialist expansion. Irrespective of the dynamic behind imperialism, it is clear that this exercising of power over another region, whether directly or indirectly, leads to the deprivation of sovereignty (or massive constraints on it) for the nation subordinated economically and politically to the expanding and encroaching empire (Margaret and Zalta, 2011). In the end, it is difficult to argue against the claim made by Hilferding and Hobson (as cited in Mommsen, 1980:124) that the “capitalist system must in all circumstances give rise to imperialist policies” and compromise nation-state sovereignty around the globe.

For theories of imperialism, the pursuit of development and the eventual status of ‘developed’ in the capitalist periphery is not a foregone conclusion. In this regard, integration into the global political economy becomes not the solution to un-development but rather the cause of underdevelopment. Subordination to the dictates of the European Union in terms of budget support, if in fact this is the prevailing tendency in relation to Mozambique, would be subjected to intense scrutiny if the lens used was imperialism rather than modernization. Such an argument, about the far-reaching negative implications of global integration, is articulated in variants of the theory of imperialism, notably dependency and world-systems theory (Hettne, 1990) as well as critical theories of globalisation. I now discuss these in turn, with an emphasis on the latter because it speaks directly to contemporary restructuring along neo-liberal lines.

2.4.1 Dependency and World-Systems Theory

Falling under the ambit of theories about imperialism, both dependency and world-systems theory argue for the existence of under-development and not un-development in the capitalist periphery, arguing that the cause of this under-development is first and foremost global capitalism. Thus, the dependency theorist Andre Gunder Frank (1969) made the now-famous statement that “development in the core countries and under-development in the peripheral countries were two sides of the same coin”. Therefore, a win-lose situation exists, in which developed nations evolved to this stage at the expense of underdevelopment nations or, more bluntly, the development of developed nations was wholly and simultaneously dependent upon under-developing other nations (namely, what we now call underdeveloped nations).

The initial theorizing for the dependency perspective started in the 1960s by economists associated with the United Nations Economic Commission for Latin America, as they made concerted attempts to explain the existence of underdevelopment in Latin America. In the end, it entailed a unique convergence of classical Marxism, neo-Marxism and radical studies within Latin America. Some of the key theorists associated with dependency theory, besides Andre Gunder Frank, are Paul Baran, Samir Amin and Walter Rodney. The Marxist strands incorporated into dependency theory were those particularly critical of the conservative character of the Enlightenment project because of its Euro-centrism; and dependency theory broadly speaking called for inward-looking endogenous development in peripheral nations to escape, at least in part, the clutches of global capitalism. Otherwise, these nations would remain exploited by the core nations or metropolitan centres and remain perpetually underdeveloped. The end of colonialism in Africa, therefore, would not bring about significant development if post-colonial African states remained integrated, in a dependent and subordinate manner, into the world economy. This indeed had been the case with South America for an extended historical period, as nations there became independent prior to even the start of the twentieth century (Rapley, 1996).

Frank provided a strong theoretical underpinning for dependency theory (Willis, 2005). He thus speaks about the effects of the contradictory character of the capitalist system in the following way:

The contradictions are the expropriation of economic surplus from many and its appropriation by the few, the polarization of the capitalist system into metropolitan center and peripheral satellites, and the continuity of the fundamental structure of the capitalist system throughout the history of expansion and transformation, due to the persistence or re-creation of these contradictions everywhere and at all times... [T]hese

capitalistic contradictions and the historical development of the capitalist system have generated underdevelopment in the peripheral satellites whose economic surplus was expropriated, while generating economic development in metropolitan centers which appropriate that surplus (Frank, 1969:117).

Frank offered numerous analyses of countries in Latin America, notably Chile and Brazil, in demonstrating this unequal and uneven character of world-wide capitalist development (Frank, 1969), including historical trends in northeast Brazil where the Portuguese colonisers expanded for instance their sugar business from the 1500s at the expense of Brazilian development. Baran likewise spoke about a division in the world economy between the advanced capitalist countries and the underdeveloped countries, with the relationship between the two sets of nations based on unequal trade in which the underdeveloped countries provided the cheap primary products to advanced countries. At the same time, the development of industry in the underdeveloped countries was not possible due to competition from manufactured commodities imported from advanced countries (Porter, 1990).

Dependency theory was later applied specifically to the African context by Samir Amin and Walter Rodney in explaining the causes of the continent's underdevelopment, again primarily in terms of unequal trade relations between the core and the periphery. Together they shared the sensibility that the capitalist world system is a zero-sum game in which the powerful enriched themselves at the expense of the weak. Amin (1976), in explicitly writing from a Marxist perspective, tends to move beyond unequal exchange in the market in offering analyses. He therefore highlights the significance of production, namely the capitalist mode of production and the capital accumulation process, as the causal basis for underdevelopment. In considering prospects for endogenous development and some kind of delinking from the world economy, "[h]e senses that it is this process of marginalization [underdevelopment] that is creating class consciousness and organized resistance in the third world" (Trimberger, 2003:128).

Likewise, Rodney (1972:10) argued that a

Indispensable component of modern underdevelopment is that it expresses a particular relationship of exploitation... the exploitation of one country by another. All countries named as 'underdeveloped' in the world are exploited by others; and the underdevelopment of which the world is now preoccupied is a product of capitalist, imperialist, and colonial exploitation. African and Asian societies were developing independently until they were taken over directly or indirectly by the capitalist powers. When that happened exploitation increased, and the export of surplus ensued, depriving

the societies of the benefit of their natural resources and labour. That is, an integral part of underdevelopment in the contemporary sense.

The global inequality that Rodney and other dependency theorists foreground is reflected in economic policies and programmes in peripheral nations based on export-oriented industrialization or export-substitution industrialization rather than on import-substitution industrialization; only the latter, it is argued, would allow for a kind of de-linking from global capitalism which would stimulate endogenous development within peripheral nations (Bhagwati, 1985).

The world-systems approach emerged out criticism of dependency theory in claiming that the latter theory did not fully provide a world order explanation of underdevelopment. Immanuel Wallerstein in particular offered a critique of dependency theory's dualist understanding of the world economy in which nations were either developed or underdeveloped. His theory included an intermediate position for certain nations in the global economy, namely, semi-peripheral countries; hence, nations could be categorised as core, semi-peripheral and peripheral. The world systems theory centred on explaining events of the late 1960s and early 1970s in which some newly-industrialized countries of the East (such as the 'Asian Tigers' of South Korea, Hong Kong, Singapore and Taiwan) were experiencing a form of socio-economic development which did not fit into dependency theory's claim that nations in the periphery were predestined to remain exploited and underdeveloped (Chirot and Hall, 1982). Under the rubric of the developmental state (which was in large part authoritarian), the Asian Tigers were able to chart and pursue a path of industrial development which did not simply replicate the previous path of advanced capitalist nations and which seemingly went contrary, at least in part, to the neo-liberal restructuring of the world economy (Kennedy, 1987).

This understanding of the world-system recognises the prospects for upward (and by extension downward) movement of countries within the global economic system, with each nation being positioned along a continuum instead of located at one of two poles of a dichotomy. Semi-peripheral nations exist in between the diverse core and periphery; economically and politically, these countries are exploited by the core countries but simultaneously they exploit the weaker peripheral countries. In this regard, world-systems theory may be of significance in analysing the newly-emerging economies (such as Brazil, India, China, South Africa and Russia). In the case for instance of South Africa, though it is integrated into the global economy in a subordinate manner, it is considered a regional hegemon in southern Africa (Coetzee, 2001).

Despite their differences, world-systems and dependency theory share the argument that any underdevelopment existing outside of the core nations is caused by the global dominance of the core nations. Their main focus is on the global relations between nations and on the external determinants of underdevelopment in the periphery. In other words, they do not have a sustained focus on intra-nation relations and social differentiation (including along class lines) within both the core and non-core nations. Though peripheral nations are subordinate vis-à-vis the world economy, certain social groups within peripheral nations (such as the comprador bourgeoisie and bureaucratic elites) benefit from this subordinate relationship. Despite this weakness, these theories are of great value to the thesis given its focus on the relationship between the European Union and Mozambique as a nation-state.

2.5 Globalization and Neo-liberalism

Dependency and world-systems theory invariably speak of the ways in which the autonomy of nation-states in the periphery (such as Mozambique) is compromised by subordinate integration into the economy. At the same time, the experiences of the Asian Tigers (and perhaps of the newly-emerging economies, notably China and India) imply that nation-states beyond the core may pursue a development path which does not necessarily play by the rules of the core nations. This possibility is a manifestation of shifts in global power.

The question of nation-state autonomy is raised repeatedly in the vast literature on globalization. There is no one definition of globalisation and it is sometimes argued that globalisation in some form has always existed historically. Even if this is the case, there is no doubt that the contemporary form of globalisation has been driven by neo-liberal restructuring on a global scale, dating back to the 1970s. The current literature speaks about the increasing interconnectedness of the world (the ‘shrinking’ of the world) or a process of de-localization (Eriksen, 2007) which may – though this is hotly debated – undermine the cultural and social diversity within the world system. This interconnectedness involves a reduction in barriers (or the opening of national borders) for further facilitation of the movement and exchange of goods, money, people and ideas (Kassotche, 1999, Steger, 2005).

Given the focus of the thesis, of particular significance are the intertwined economics and politics of neo-liberal globalisation. Globalization as an economic process focuses on the restructuring of the global and national economies, in both core and peripheral nations, based on the standard neo-liberal package as propagated by influential multi-national agencies (Steger, 2005). It involves “the increasing linkage of national economies through trade, financial flows, and foreign direct investment” (Steger, 2005:45). Neo-liberalism is based on

the economic mantra of liberalization, privatization, deregulation and de-politicization all of which are designed to enable the successful functioning of so-called free markets. This entails for example deregulation of interest rates, removal of credit controls and the commercialisation and privatization of government-owned banks and financial institutions. It also implies only minimal state involvement, as such involvement is understood as a disruptive and distorting interference weakening the 'hidden hand' of market forces (Litonjua, 2010, Brown, 2009).

A number of multinational agencies have been central to neo-liberal restructuring globally, which also has been labelled as the Washington Consensus. These agencies include the International Monetary Fund (IMF), which was originally created to manage the international monetary system; the World Bank (WB), formally known as the International Bank for Reconstruction and Development, which initially was involved in the reconstruction of Europe's post-WWII economies in the 1950s but has focused extensively since then on integrating peripheral and semi-peripheral nations into the world economy on neo-liberal terms; and the World Trade Organisation (WTO) which arose out of the General Agreement on Tariffs and Trade in 1995, and which has been critical in reducing nation-state protectionism of national economies and in formulating and implementing free trade internationally based on multilateral and bilateral trade agreements.

The Structural Adjustment Programmes (SAP) pursued by multinational agencies and implemented around the globe to – ostensibly – solve the debt crisis in peripheral nations dramatically illustrate neo-liberal restructuring (Geest, 1994). These adjustment packages, when implemented, allow for ongoing financial support from core nations and multinational agencies but only if strict compulsory conditions were met (these became known as 'conditionalities'). The conditions involved economic and political reforms in tune with neo-liberal discourses and practices, as well as timely and scheduled repayment of international loans. Such programmes were implemented throughout the African continent and beyond, including in Mozambique as will be outlined in a later chapter. The neo-liberal SAPs, which began in Africa during the continental process of de-colonisation and nation-building, served to undercut developmental state initiatives which were occurring at the time in many African nations. Though these initiatives were in many cases fragile and tentative, the SAPs and post-SAP neo-liberalism programmes did tend to make development initiatives in Africa more extroverted and globally-focused.

The effects of neo-liberal restructuring on peripheral and semi-peripheral nations (and even now on core nations) has been subjected to intense scrutiny. Certainly, in the case of

SAPS and their effects on African and Latin American countries, the evidence is very damning such that underdevelopment has been reproduced in new and sometimes more devastating forms. Thus Kassotche (1999) argues that African countries suffered heavily from unequal integration into the world economy under SAPs and this resulted in almost permanent unwholesome and inhibiting effects on the continent's development. Mozambique was not spared the standard SAPs package, which like for other nations resulted in gross violation of the rights of employees, the rise of inflation, the decline of real value of wages and dramatic rises in the prices of basic foodstuffs.

To speak in this context of the outright failure of neo-liberalism (including post-SAP neo-liberalism) is very common (Litonjua, 2010). Countries in Asia (such as South Korea, Taiwan, Singapore and Hong Kong), which were referred to earlier and which chose a developmental state path, became the fastest growing economies of the 1980s in the absence of structural adjustment programmes, which seemed to confirm the problematic character of neo-liberalism. In this regard, state developmentalism asserts that only when nation-states have developed administrative capacities and bureaucratic efficiencies ('strong states') could they possibly be in a position to formulate developmental goals and paths which go against the stream of global tendencies (Chang, 2006). Neo-liberalism undercut the basis of such strong states, though the Asian Tigers certainly have not been immune to neo-liberal restructuring since the 1990s.

Clearly, then, economic globalisation relates to political globalisation. Indeed, economic and political processes of globalization are inseparable, and "economic perspectives on globalization can hardly be discussed apart from an analysis of political processes and institutions" (Steger, 2005:46). These intertwined dimensions are different sides of the same coin such that the rise of global economic power may lead to the decline of national political power. As a political process, globalisation is centred on the fate of the nation-state and more specifically raises questions about the possibility that certain processes – described above – which are embedded in globalisation are, first of all, by-passing the nation-state and, secondly, reducing the power of the state vis-à-vis its national economic space. In both senses, the autonomy of states in peripheral nations such as Mozambique may be increasingly compromised or endangered (Osterhammel and Perterson, 2003). Neo-liberalisation as a process of de-regulation involves a retraction of nation-state involvement in the economy, or at least a minimalist state which simply provides the conditions for the unhindered and unfettered operation of economic processes (Tussie and Aggio, 1990). Simultaneously, the nation-state is increasingly subjected, both directly and indirectly, to the

demands of global pressures and seemingly becomes a simple instrument of global forces such as the World Bank. For this reason, neo-liberal globalisation is interpreted as a contemporary form of imperialism or neo-imperialism, or even as neo-colonialism, whereby the nation-state is subject to vested global interests.

As a process of economic and political restructuring, therefore, neo-liberalism places significant pressure on the autonomy of nation-states in the periphery. Insofar as African nations in the early post-colonial period were seeking to break free of imperialist domination in pursuing endogenous development (with some nations such as Tanzania and Zambia even adopting a so-called African Socialism) the Washington Consensus and later global restructuring has entailed a shift towards extroverted development based on global integration based on a discourse of nation-specific comparative advantage in terms of the form of global integration. In consequence, national development goals were made secondary to globalization and sacrificed to the God of neo-liberalism.

Political globalization is related to the expansion of markets and the increasing power and consolidation of multinational corporations. This recognition does at times lead to technological and economic determinist arguments; for instance, that “politics is rendered powerless in the face of an unstoppable and irreversible techno economic juggernaut that will crush all governmental attempts to reintroduce restrictive policies and regulations” (Stager, 2005: 32). This of course leads to conclusions about the growing insignificance of national territorial boundaries and of nation building and ultimately to claims that the nation-state is becoming less relevant in the globalising economy and is unable to determine the direction of social and economic paths within its nation-state borders. To quote Steger (2005:34) further, it means that the concept of globalization “refers ... to the process whereby power is located in the global social formations and expressed through global networks rather than through territorially-based states”.

This is a tempting argument to make and it does raise serious doubts about whether any nation-state – even the most powerful ones – can be said to be pursuing a home-grown and independent development path. All national development paths are integrated in some way and to some degree into global restructuring. But to claim that the nation-state is without significance in a globalising world does not do justice to the complexities of nation-states even in the peripheries. It is problematic to reduce in instrumental fashion any nation-state to global forces, just as it is incorrect to argue that a particular nation-state is a mere instrument of the dominant class within its own society. This is not to deny that the nation-state is caught in a web of global relations and has limited room to manoeuvre. This is the point though, that

there regularly is some space and room within which to negotiate and manoeuvre; global forces strongly condition the practices of states in countries such as Mozambique, but they do not necessarily fully constrain them. This is taken up further in the following section.

2.6 The Nation-State

The notion of the nation-state is critical to this thesis because of its focus on questions about state sovereignty and autonomy (with reference to Mozambique) in the context of the global political economy and European Union budget support in particular. Though these questions have been provisionally addressed already in this chapter, this section seeks to elaborate on the point more directly and fully.

Admittedly, at least colloquially, the notions of “nation”, “state” and “nation-state” are used interchangeably whereas a basic distinction between them is necessary (Kuper and Kuper, 2004). A state, broadly speaking, is the modern form of centralised political organisation under contemporary capitalism which has formal sovereignty over a spatially- or territorially-defined socio-economic space. It therefore refers to ‘political organization of a country, supreme civil power, government’ (Harper, 2012). But it may not be embedded organically in a distinct nation. A nation, at the most basic level, is a group of people who view themselves as having a common heritage, a common destiny and a sense of mutual identification based on language, history and culture. In fact, the etymology of the word “nation” goes back to the Latin word *nationem* which refers to “nation, stock, race” or “that which has been born” (Harper, 2012:1). Subsequently, a nation is defined as “a community of persons not constituting a state but bound by common descent, language, history” (Wimmer and Festein, 2010:3). A nation then is a cultural entity (including religion) while a state is a political entity and there is not necessarily a clean overlap between these two concepts (Lauletta, 1996:1).

Most territorially-defined entities under the modern state are an amalgamation or fusion of diverse nations in which states – in nation-building – seek to bring about national inclusivity while recognising and respecting diversity (it is in the latter sense that the term “nation” is being used for this thesis). There exist nations, in the cultural sense, without sovereign states (such as the Palestinians). And, at times, within one territorially-defined state there exist different nations (culturally-defined) which may be in conflict with each other such that the nation-state is fragile: and this may lead to secession (as recently happened in the case of the Sudan). The notion of nation-state fuses the two concepts of state and nation, but with the understanding that nation-building under the guidance of the state is an ongoing

process. Therefore the nation-state is “an independent state with a written constitution, ruled in the name of a nation with equal citizens” (Wimmer and Festein, 2010:7). Mozambique fits into the category of nation-state.

2.6.1 State and society

There is a vast array of arguments about the modern state and its relationship to global capitalism (Hass, 1982) which are pertinent to this thesis; and these arguments raise critical questions about the autonomy of nation-states in the periphery vis-à-vis powerful global forces. Before considering these, it is important to first speak to theories about the state in relation to its own society as these theories touch on the question of autonomy.

In this regard, it seems clear, and un-controversially, that the modern state is a specific type of institutional arrangement in modern societies. As Abercrombie, Hill and Turner put it: “The modern state is a set of institutions comprising the legislature, the executive, the central and the local administration, the judiciary, police and the armed forces” (1988:241). Kuper and Kuper provide a fuller institutional definition:

A modern state may be defined as (1) a differentiated and impersonal institution that is (2) politically centralized – though not necessarily unitary; (3) authoritatively binding rule making (or sovereignty) over persons, groups and property; (4) generally exercises an effective monopoly of publicly organized physical force; (5) that is sufficiently recognized by a sufficient number of its subjects, and (6) of other states, that it can maintain its (7) organizational and policy-making powers within (8) a (potentially variable) territory (2004:32).

In terms of this notion, the state is an institutional system of political domination and it has the legitimate power (or authority) to use violence for purposes of maintaining social cohesion. At the same time, the modern state takes on different forms, often depending on the specific relation between the different institutional apparatuses of the state and which apparatus dominates the others. As well, to speak about the state as an institutional arrangement does not necessarily imply that the state is or acts as a unitary and homogenous entity, as it is often the site of contestation and struggle because of contending social forces beyond the state which implicate the state.

This leads to crucial issues about the relationship between state and society. Certainly, sociology has a rich history to draw upon with regard to understanding the modern state (and its emergence) including the works of Auguste Comte and Emile Durkheim (Knuttila and Kukik, 2000). In their own particular ways, both theorists offered an analysis of the state

which highlighted its role in bringing about and maintaining social peace, order and stability. While the state's role in this is indisputable, theorists such as Comte and Durkheim failed to appreciate the extent to which the state may serve particular social interests over time. The claim that the state does not serve such interests is part and parcel of the modern-day pluralist theory about the state. Pluralists, in focusing on the relationship between state and society (in other words, a society-centred theory of the state) see the state as an honest broker which mediates impartially between contending social forces. This theory is important in speaking to state autonomy vis-à-vis forces beyond the state but, unfortunately, it leads to a position in which the state has complete autonomy and is not beholden to any one force of group; in other words, the state is left unexamined and is conceptualised as if it exists above society.

Max Weber, whose notion of the modern state is rooted in an institutional framework, could be said to offer a more state-centred theory of the state. He saw the state, in both capitalist and socialist societies, as a social body which has its own set of rules, imperatives and practices (based on a legal-rational form of power or bureaucracy) and which has the capacity to dominate social groups in broader society (Andersen and Kaspersen, 1988). In this sense, state power is irreducible to social power and the state may act in a manner which is not fully explainable in relation to social groups and struggles between these groups. Because of this, the state is seen as having a degree of autonomy vis-à-vis groups in society, including the bourgeoisie because state power is not reducible to economic power. The Weberian theory does not treat the state as a 'black box' but, instead, it brings to the fore the question of state interests and the ways in which these interests shape and influence state practices.

Another society-centred conception of the state, beyond the pluralist perspective, is proposed and developed within Marxism. In the end, Marxists have regularly argued that the state under capitalism exists to serve the interests specifically of the capitalist class or, more indirectly, maintains or reproduces the system of capitalism. Instrumentalist Marxism, represented in recent decades by the work of Ralph Miliband, sees the state as simply an outpost of the dominant class because its personnel are drawn from this class. The state thereby acts seemingly at the behest of the capitalist class (almost at its commands) and has no autonomy from this class in terms of what it does. Structuralist Marxism, articulated most clearly by Nicos Poulantzas, argues that the state may have relative autonomy from a particular section (or fraction) of the dominant class but that it nevertheless reproduces capitalism as a system (Abercrombie, Hill and Turner, 1988). At times, as well, the state may act against the combined interests of the entire capitalist class but it does so – often in

conditions of social crisis and upheaval – to ensure social stability. In this way, the state almost by necessity acts on behalf of capitalism. Regrettably, Marxism tends to offer a reductionist and functionalist account of the state without properly accounting for state agency and without appreciating fully that the state has its own dispositions and rationalities which spur it to act in ways which go contrary to Marxist expectations.

The Marxist viewpoint about the state and how the state is linked to specific social groups and interests is critical to any understanding of the modern state, but incorporating more Weberian insights into state theory is necessary to provide an analysis of the state which leaves room for the state to breathe; in other words, social groups and interests condition the state and its practices but do not fully constrain them. The state is not a mere instrument of others, and indeed has its own sets of dispositions and imperatives which implies the existence of some autonomy; the specific degree and form of autonomy cannot be read-off from theory, as it is historically- and spatially-constructed and contested. Such an argument is also relevant with regard to the relation between nation-states and global interests and forces.

2.6.2 The state and global forces

Before discussing the state and global forces, it is important to briefly touch upon the question of autonomy. Rousseau (2002), a political philosopher, gives an account of autonomy in the context of an ‘autonomous individual’. He defines autonomy as self-rule and the capacity to make choices. In this way, the subject of autonomy relates to the topic of self-determination, whether at individual, group or societal level.

In relation to nations and states (and nation-states), international legal texts consider self-determination as one of the universal human rights. After the United Nations (UN) adopted the Universal Declaration of Human Rights in 1948, in 1996 the General Assembly adopted the Covenant on Economic, Social and Cultural Rights and the Covenant on Civil and Political Rights. The covenants contain the international legal statement of contemporary rights to self-determination, stating as one of the rights; “All Peoples have the right of self-determination. By virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development” (Clark and Williamson, 1996:49).

The Declaration on the Granting of Independence to Colonial Countries and Peoples adopted by the UN General Assembly in 1960 was based on the need for peace, development and respect for human rights, and it further highlighted the need for self-determination in declaring that “inadequacy of political, economic, social or educational preparedness should

never serve as a pretext for delaying independence” (Hannum, 1996:10) from colonialism. Thus, “the liberation of all colonies, the liberation of all dependent, oppressed, and non-sovereign peoples” (Danspeckgruber, 2001:171) was seen as foundational to peace, development and security globally, a point which was apparently agreed upon at the time by those in the capitalist metropole (and particularly the colonial powers) and those in colonial nations struggling for de-colonialisation and independence. In this context, the development of undeveloped countries was envisaged as a self-determined universal human right and the infringement of this would entail an act of violation of universal law. Of course, this was the purported model of development in which nation-states in the periphery were expected to drive their own development, a model which has been subjected to serious criticism earlier in this chapter in the light of imperialism, neo-colonialism and neo-liberal globalisation.

The nation-state in the periphery is a critical nexus immersed in power relations both nationally and globally, as it is located within its own society and within a global arena. It is bound therefore to be subjected to a range of forces and pressures emanating from both within and without (or upward and downward pressures), such that it becomes a critical site of political and social contestation. This however does not imply that the state can simply be understood vis-à-vis forces outside the state, as if the state is not worthy of study in its own right. Otherwise, the prospects for state autonomy are already foreclosed by the sheer force of theory, and conclusions can be reached without any need for historical and empirical enquiry. At the same time, the nation-state’s existence within a broader global political economy complicates any analysis of autonomy.

For instance, a focus exclusively on the national power structure within a particular nation-state may rightfully highlight state interests and the emergence of some degree of state autonomy from dominant classes on this basis. But a more inclusive focus on a nation-state in the context of the global and globalising political economy would need to consider not only the state’s own agency in constructing autonomy, as it would also have to examine the balance of forces between local and global groups; as the power of local groups may offer a countervailing force to global forces and provide a basis for some degree of nation-state autonomy with respect to these global forces. Possibly, even if a nation-state has clearly-defined and articulated interests which it seeks to realise, the sheer force of global restructuring may undermine their significance and practicality. But, this is a question for historical analysis.

For this reason, state-centred arguments by theorists such as Nordlinger (1981) about states acting independently and autonomously to change society go only so far unless they are

re-evaluated through a global lens. If a particular nation-state is abstracted for analytical purposes from the global political economy, the type of arguments provided by Nordlinger may be of some value (Skocpol, 1985) but ultimately they are only partial analyses and, possibly because of this, largely inaccurate portrayals of state possibilities and practices.

Skocpol (1985) thus clearly shows that the capacity and autonomy of nation-states are regularly and greatly affected by their relationships with other nation-states. More powerful states (such as the United States) or regional blocs of nation-states (like the European Union), because of their positioning within the global political economy, can limit the capacity of nation-states in the periphery to defend their sovereignty such that sovereignty may exist only in formal terms. A nation-state with controls over its political, social and economic space or territory, and the capacity to pursue a development path of its own making, can be severely weakened by external processes such that its autonomy is compromised. External financing for national development plans, including from multinational agencies like the World Bank, is a vivid example of this.

The autonomous exercise of sovereignty, which is supposed to be one of the key defining characteristics of a nation-state, becomes highly questionable because of this. According to Philpott (2010), sovereignty refers to the supreme authority within a demarcated territory or socio-geographical space. The history of sovereignty and autonomy is indeed linked to the history of the modern state, as the latter has for a long time expressed the idea that there is a final and absolute legal and political authority over a territorially-delimited socio-political community (Hinsley, 1986, Morris, 1998). Though the two terms – sovereignty and autonomy – are often used interchangeably, it seems clear that a state can be sovereign (understood in terms of international recognition) but not be necessarily autonomous. In fact, in the end, given the prevailing global order, to speak about nation-state autonomy (even for the most powerful of nation-states) is an untenable argument (Brittan, 1998). Wang (2004:87) asserts that “not even the most powerful is wholly autonomous, free of constraints and influences from outside its borders. Nor is its autonomy (or sovereignty) absolute in law”. Insofar as I use the terms sovereignty and autonomy interchangeably in the thesis, I am referring not to any formal status but to the power of the nation-state in practice.

Hence, it is not a question of autonomy for some nation-states and the total absence of autonomy for other nation-states. Rather, the key question is the degree and form of autonomy for any particular nation-state like the Mozambican nation-state and the prospects for national development in the face of the international development system and specifically budget support from the European Union.

As Sassen (1996) argues, neo-liberal globalization represents a major transformation in the territorial organization of economic activity and politico-economic power, and this transformation has had an effect on the autonomy and political power of all sovereign states. The global footloose of corporate capital, seemingly crossing nation-state borders with increasing ease, reveals a crucial aspect of the relation between the global economy and the nation-state whereby states lose what the global economy gains. Such claims have translated into contemporary propositions that all national-states are in a state of so-called decline amid the juggernaut of economic globalization (Sassen, 1996).

For these reasons, many theorists question if the nation-state has a future as a major locus of power and authority. In this respect, Holton (1998:80) notes that economic globalization involves not only the “flows of finance, capital investment, technology and labour, but also an expanding web of transnational regulatory institutions”. One much noted example is the growth in the regulatory capacity of bodies like the IMF and WTO and, on a regional scale, the EU, as if they exist and operate outside of the parameters of nation-state regularity functions. Therefore, nation-states are not only confronted by the economic power of transnational corporations but in large measure by transnational regulatory institutions. While all nation-states are subject to such processes and to possible losses in autonomy and influence, economic globalization is an uneven process to the extent that so-called state decline is uneven. There exist variations in the capacities of nation-states to regulate for example cross-border transactions. Powerful players may have high levels of national capacity to regulate and exert influence within transnational regulatory organizations such as the World Bank or WTO, while peripheral nation-states possess very limited bargaining strength and regulatory capacity.

Nevertheless, all nation-states are subject to the power of global forces, and this is not necessarily a new phenomenon. Holton (1998:44) therefore argues: “The global interdependence of national economies, politics and cultures is not by any means a product of post1945 world”. Certainly, the process of interdependence has accelerated in the past fifty years, and it seems likely that it will accelerate even further over the next fifty years. In this sense, contemporary globalization may be said to pose new challenges to national sovereignty and autonomy unlike the challenges in the past. The critical point for this thesis is to pinpoint the degree and form of autonomy which exist for the Mozambican state (and by extension deficiencies in autonomy) without overplaying the absence of autonomy as if it is unique to the Mozambique state or to states in the periphery more broadly. While the conclusion is that indeed there are serious shortfalls in autonomy for the Mozambique state,

there must be a simultaneous recognition that such shortfalls are found in all nation-states in the era of neo-liberal globalisation.

Hence, the relationship between Mozambique's autonomy and sovereignty with regard to the global economy (specifically EU budget support) comes into perspective within this broader and more inclusive picture of state autonomy in the midst of globalization. Indeed Barrow (2005) submits that sociological works of the 1990s were painting a very grim picture of the outlook of the nation-state and many forecasted the death of the nation-state in the face of the pressures of globalization. Specifically, he details that "forms of power were shifting from the nation-state to the global market, transnational corporations, and globalized channels of communication" (Barrow, 2005:19). However Barrow (2005) goes on to argue that nation-states are still the principal agents of globalization and guarantee the material and political conditions that are necessary for globalization, thus maintaining their sovereignty but perhaps in a different form. Nation-states under neo-liberalism thus may not be withering away because of the de-regulation thrust but may be simply undergoing a change in form (perhaps captured more aptly by the notion of re-regulation rather than de-regulation).

This then is the theoretical context within which the thesis examines the EU-Mozambique relationship. The EU is undoubtedly a powerful polity and is able to exert massive influence as it represents a bloc of nation-states. Walby (2003:111) thus argues:

The EU is a strong polity in its own right. It is a polity on the global stage. In particular, the EU is a major trading bloc. It is able to command other polities for its actions, such as representing the interests of all member states of the EU in the world trade discussions. It represents a significant set of economic interests, as well as a particular stance on a wide range of associated issues.

No doubt, the EU is in a strong position vis-à-vis the Mozambican nation-state. The budgetary support modality of the EU in relation to Mozambique seemingly entails a significant degree of sustained influence so as to question the sovereignty and autonomy of the Mozambican state and its capacity to pursue a home grown and driven development path. However, as noted many times already, while theories of globalisation and the nation-state are highly suggestive of this, conclusions for this thesis are to be drawn from grounded evidence. The question of the EU as a global player is examined later in the thesis.

2.7 Conclusion

This chapter has examined nation-state autonomy in the context of the world-wide system of capitalism. Over the years, a number of theories have emerged which seek to examine

development under capitalism, particularly the prospects for development of peripheral nations like Mozambique. In criticising modernisation theory, I argued for more radical thinking which is found within theories of imperialism and globalisation. At times, though, these radical theories treat nation-states – particularly in the periphery – as totally subordinate to global forces and hence without autonomy. In this light, I unpacked the notion of state autonomy and drew on other theoretical work to provide the basis for a more nuanced understanding of the nation-state in the globalising world. This more nuanced picture argues that room to manoeuvre for nation-states cannot be ruled out *a priori* and that concrete analyses provide an opportunity to identify and understand the existence of specific forms and degrees of autonomy no matter how truncated these might be. My case study of Mozambique allows for this. In the next chapter, I focus not on capitalism as a system of development but on the international aid system as part of the global capitalism system.

Chapter Three

Development Aid and Africa

3.1 Introduction

The international aid system is a composite of institutions and processes aimed at delivering development aid on a global scale. The rationale for its existence is the prevalence of underdevelopment and poverty mostly in the South especially in Africa. The North or the West, which is said to be developed, provides development aid as a basis for ensuring development globally. This chapter offers a critical analysis of the international development aid system, a system which in large part is supported by the type of arguments made by modernisation theory. I first examine the conceptual underpinnings of development aid and then go on to outline the different modalities of aid including budget support. I then examine development aid with specific reference to Africa and highlight the fact that, despite decades of foreign aid to the continent, poverty remains endemic. This raises fundamental questions about the relevance of aid but also brings to the fore the implications of aid for dependency and the undermining of nation-state autonomy in Africa and indeed elsewhere.

3.2 Conceptual Framework of Foreign Aid

While foreign aid has its theoretical underpinning dating back to the 1930s (see below), the aid business began to grow in size in the 1950s with the emergence of international institutions and aid agencies which were established to manage the process. Much has been written about foreign aid, but a universally-accepted definition of aid has been elusive and hard to come by. It seems reasonable to start with a working definition of aid which is provided by the United Nations. The charter of the United Nations clearly declares the need to achieve “international cooperation in solving international problems of an economic, social, cultural or humanitarian character” (United Nations, 1945:3). Its concern with development is demonstrated in the formation of various development agencies since the 1960s, including the Organization for European Economic Cooperation, later renamed the Development Assistance Committee as part of the Organization for Economic Cooperation and Development (OECD). The definition of aid provided by the OECD is of significance as it was formed as the organ for the co-ordination of aid policies, for the monitoring and

evaluation of donor performance, and as the source of official information on aid flows (Tomasevski, 1989).

Aid, known as official development assistance (ODA), is defined by the OECD as those inward flows (such as capital, technology and know-how) to nations and territories on the OECD list of ODA recipients (in the peripheries) designed to function as a tool to stimulate and facilitate sustainable economies and reduce poverty (Hailu and Tsukada, 2012). These flows, involving different forms of development cooperation, emanate from multilateral development institutions, bilateral agencies and nation-states in the industrialised world. At times, the OECD has specified in detail the character of ODA, including that it is concessional in character and conveys a grant element of at least 25 per cent (calculated at a discount rate of 10 per cent) (OECD, 2008), but the exact specifications are open to variation and are not the critical issue at hand.

In this context, the intent and supposed function of foreign aid has been elaborated upon in a variety of ways by a range of proponents of aid. For instance, Ekanayake and Chatma (1990) argue that the main role of foreign aid is to supplement domestic sources of finance and that this leads to an increase in investment sources and capital stock available to stimulate national economic growth and development. Aid enhances socio-development in the periphery by leading, for example, to increased investment in physical and human capital, without reducing investment or savings rates; and by ensuring an increasing capacity to import capital goods and technology, with technology transfers maximising the productivity of capital and promoting endogenous technical change.

The advent of foreign aid, at least in terms of its theoretical justification, has its foundations in the work of economic theorists such as Harrod and Domar (1939, 1946), Rostow (1956, 1960), Rosenstein-Rodan (1961) and Chenery and Strout (1966) (Browne, 1990). Their contributions to understanding foreign aid as a means to development will be briefly highlighted. It is clear that these theories highlight the significance of foreign intervention in the development of developing nations by developed nations; in other words, this intervention is seen as a solution and not as a problem, which is consistent with the fundamental arguments of modernisation theory.

According to Riddell (1987), the thoughts of Harrod and Domar (writing in the 1930s and 1940s) were significantly shaped by the Great Depression and the Soviet Union as a model of development based on forced savings and investments. They linked capital investment to economic growth (Browne, 1990). The investment rate or, more specifically, any increase in the investment rate would be crucially linked to injections of foreign capital.

As such, increases in the investment rate of developing countries – through for example foreign investment and aid – would accelerate economic growth and assist in achieving the necessary and crucial take-off stage of development highly associated with Rostow's theory of economic development (Chowdhury and Das, 2011).

These claims became expressed and found their relevance in programmatic terms in the form of the Marshall Plan (or European recovery programme) initiated by the United States and implemented from the late 1940s after World War II. The United States made available massive assistance by means of capital and commodities to help rebuild the European economies after the war. This programme of development soon became applied, under conditions of de-colonialisation, to developing countries in the periphery for purposes of nation-building and national development. Aid in the form of capital, it was argued, would for example spur public investment programmes in many developing countries.

In furthering the paradigm offered by Harrod and Domar, Rostow a decade later developed an analysis of the character of the world economy in which he argued that the economic evolution of the industrialized countries contained guidelines for the future course or path of the then-existing undeveloped nations. Rostow, referred to in the previous chapter as a modernisation theorist, claimed that industrialised capitalist countries had reached what he termed the era of high mass consumption. This final stage of development was achieved by first going through a number of earlier stages of growth, the most important of which he called the take-off phase – a short but critical period entailing the creation of the social and economic conditions necessary for self-sustaining growth (Riddell, 1987). Hence, Rostow (1960) describes this phase as involving “the build up of social overhead capital and a surge of technological development industry and agriculture, but also the emergence of political power of a group prepared to regard the modernization of the economy as serious, high order political business”. In this respect, foreign capital and aid becomes exalted and is paramount for kick-starting development in developing nations.

Rostow indicates though that capital alone would be insufficient to stimulate economic development and that technical cooperation in addition to capital is required. The extended quotation which follows elaborates on these, and clearly shows their relationship to his overall theory of development:

The assistance which countries need from outside if they are to develop is of two kinds. In the first place they need capital, both to establish the preconditions of growth and to make during the second stage that growth is maintained until they reach a point where they can be reasonably sure of maintaining it out of their own increasing output.

Underdeveloped countries may require two sorts of capital. They will need from outside some of the equipment and supplies required to construct particular development projects. They will also frequently need a certain volume of food and consumer goods to permit them to divert their own labor and other resources from output for consumption to development. But in addition to capital they will also need a great deal of technical assistance, a transfer of knowledge and skills from other parts of the world, to permit them to make effective use of both of their own meagre supplies of capital and of whatever capital is made available from abroad. The strictly economic purposes of the program (for world economic growth) would be: first, to make available sufficient capital to permit the low-income countries to launch an ultimately self-sustaining process of economic development; second, to stimulate and assist the underdeveloped countries to overcome obstacles to their own development other than lack of capital; and third, to create a climate of international economic activity in which the economies of the industrialised countries of Europe and Japan, as well as the United States, could continue to grow (Millikan and Rostow, 1957:49-50;65 in Riddell, 1987:55).

What is of particular importance about Rostow's theory is that he not only provides specific explanations on how aid would lead to economic development in developing nations but also gives a time-line after which aid would no longer be necessary. In this explanation, he states that aid is only needed in the period prior to take-off (lasting between ten and fifteen years) after which the recipient nation no longer requires the supply of external capital.

Chenery and Strout (1966) amplified the works of Rostow. Their model consists of three phases in the shift from a developing economy to a developed economy, with specific requirements which can be met through the provision of aid (Chenery and Strout, 1965). The achievement of economic growth is said to be dependent upon the expansion of the developing nation's productive capacity, which must be stimulated by foreign investment. The domestic savings rate of developing countries at the time (that is, the ratio of savings to gross national product) was exceedingly low because income and profits were nearly entirely consumed without investment and because investment opportunities themselves were also limited. The low rates of savings and investment led to what Chenery and Strout termed as the 'poverty trap'. This trap, according to their model, could be readily overcome through the import of capital either in the form aid or direct investment (Browne, 1990).

The first phase or stage of the model proposed by Chenery and Strout speaks about the constraints to development in the periphery as manifested in the shortage of available

capital as well as in the absence of absorptive capacity for investment inflows due to low level of skills, including management and organizational capacities. Without the required skills emanating from technical cooperation with industrialised nations, any new capital could not be productively absorbed to facilitate economic growth. Phase one is completed when a rate of investment is reached to sustain a reasonable rate of economic growth. In phase two, there remains a shortage in the supply of foreign exchange (because export earnings are lower than import needs) and thus trade-limited growth exists. In phase three, the savings constraint will have been overcome. The constraint in this stage becomes mainly the trade gap caused primarily by structural rigidities and – because of this – foreign aid would still be of some value. The phase ends when the economy adjusts and grows in response to changing prices and market conditions.

In review, Chenery and Strout put forward the claim that foreign aid can help overcome existing constraints and close certain gaps at different stages of development, eventually leading to the establishment of a self-sustaining economy. This model in many ways echoes the earlier views of Rosenstein-Rodan (1961) who specified that the purpose of aid to undeveloped countries was to accelerate economic growth to a rate which is self-sustaining. He equally stressed though that capital investment and aid should be provided only when there is reasonable assurance that it will be effectively used in peripheral nations.

It seems clear that all of the above theories, in justifying the provision of foreign aid, fall broadly within modernisation theory. However, by the 1980s, it was becoming increasingly clear that foreign aid as a practice was not facilitating the take-off of peripheral economies let alone sustained economic growth. Levels of poverty and extreme poverty remained high (if not increasing) and were pervasive throughout the capitalist periphery. Something seemed amiss. But proponents of foreign aid argued that the problem was not with foreign aid *per se*. The key questions were the kind of foreign aid offered and the conditions under which it was offered; addressing these questions would, it was claimed, maximise the effectiveness of foreign aid in addressing for instance poverty. This is evident in the changing forms of aid over the past few decades. However, the changing modalities of aid did not address the more fundamental criticisms of international development (and by extension foreign aid) as offered by the theories of imperialism, dependency and globalisation in that the shifting forms of aid – in being rooted ultimately in modernisation theory – were based on integrating peripheral nations into the global economy in a subservient and subordinated manner.

3.3 Aid Delivery Modalities

Aid takes different forms and there have been historical adjustments in the priority given to particular forms of aid. The particular focus in this thesis is aid in the form of a budget support modality. In this regard, I first look at the notion of development aid and then locate the notion of budget support in relation to other modalities such as project aid. From the outset it is important to note that all modalities of foreign aid entail some kind of conditionality.

Glennie (2008) makes a distinction between emergency aid and development aid. Emergency aid (sometimes called humanitarian aid) is short-term assistance to a nation or region in crisis and development aid has a longer-term objective to help with economic growth and poverty reduction, as the discussion in the previous section highlights. Many nations experience at times torrential rains and floods which destroy for example infrastructure and crops, with emergency aid delivered on this basis. Emergency aid is currently a very significant form of aid because of global climate changes which are often complicated by problematic human interventions in the natural environment (Glennie, 2008), and it sometimes replaces development aid because of the sheer force of humanitarian need. Development aid is about sustainable solutions which go beyond immediate responses and it focuses on systemic changes to chronic long-term problems. Objectives such as those based on the millennium goals of the United Nations are designed with this purpose in mind.

3.3.1 The Project model

From the start of the post-colonial period in Africa (and beyond) until the 1970s development aid came in the form of project aid that focused on capital investment, infrastructure, poverty reduction and rural development. At times, this focused on reconstruction along the lines of the Marshall Plan in Europe, given the traumatic history of colonialism and the devastation which resulted from the character of colonial withdrawal from peripheral nations. In terms of poverty reduction, it also entailed a basic needs approach to development which targeted the poor as a form of micro-level strategic intervention.

The project paradigm or modality has deep roots in foreign aid and the beginning of foreign and development aid is invariably linked to project aid. It is an aid modality which “involves a high degree of donor control” (Practitioners Forum on Budget Support, 2005). It works by definition on a project basis in which a particular problem (such as inadequate health facilities) in a particular local area of a particular nation is identified, often by the donor disbursing the aid, and then the necessary intervention and form of involvement by the

local community to solve the problem is identified (again, usually by the donor). The body receiving the funds would either be part of the state or a non-governmental organisation, and the funds dispersed may be linked to for example technical cooperation or service delivery.

The body receiving the funds is normally subjected to upward accountability, that is, accountability to donors such that any involvement by the communities effected is minimal or absent despite sometimes a discourse about participatory development underpinning the intervention. Therefore, local ownership of a project is almost non-existent. In other words, it is a form of aid modality which regularly involves the direct participation in the design and implementation of the project by the donor and does not usually entail state ownership of the specific project (Farrington and Mundy, 2003). It also leads to patchwork development in which specific projects are scattered across different sectors (for instance, health and education) in discrete spatial pockets without any coordination between different project interventions and without separate donors coordinating their activities and interventions. Hence project aid has been criticised for minimising aid effectiveness, as it forms a problematic basis for coherent and systematic development planning for a particular nation-state in the periphery.

3.3.2 Sector wide approaches

The concept of sector-wide approaches to aid emerged in the late 1980s out of the criticisms of the project aid modality, which was seen as a donor-driven aid paradigm. It was said to be the basis for making aid more effective and for ensuring that aid contributed more fully to national development in a manner which hopefully enhanced local forms of ownership. Within this approach (which could also be referred to as programmatic aid), the funds “contribute directly to a sector specific umbrella and are tied to a defined sector policy under a government authority” (WHO, 2012:3). Hence, funds are expected to cover a particular sector (such as education or health) which is normally linked to a particular state department, and they were designed to address particular challenges in the sector possibly throughout the entire country. This would entail going beyond patchwork development at least with reference to a particular sector.

A prevailing feature of the sector wide mechanism though is the way in which the funds are often disbursed. The funds were regularly provided to the state in the form of a trust fund which was to be kept separate from the recipient country’s national budget and accounting system; they also did not allow for cross-subsidisation across sectors. From the perspective of the state, this made the availability and use of the funds relatively inflexible

(Practitioners Forum on Budget Support, 2005). Additionally, although under this mechanism the donors and the state are said to work together in the design and formulation of the policy to be implemented within the particular sector, this was regularly not the case such that local ownership was (like project aid) almost absent (Brown, Foster, Norton and Naschold, 2001, Farrington and Mundy, 2001). Certainly, though, the sector wide modality was a corrective to the other problems ingrained in project aid. Project aid however was not simply replaced by the sector wide modality, as project aid continued to be pursued and implemented.

3.3.3 Country aid (Structural Adjustment)

Parallel to the shift from the project to the sector wide modality have been attempts by an array of donors to coordinate their activities. Also, from the end of the 1970s, structural adjustment programmes were introduced. Structural adjustment, discussed briefly in the previous chapter, goes beyond both project and sector wide aid by attempting to bring about development at a national level inclusive of all sectors. Both project and sector wide (or programmatic) aid entail the setting of conditions, but certainly the notion of conditionality was brought to the fore most explicitly and vividly in relation to structural adjustment. The original purpose of structural adjustment, as articulated by the World Bank under the Washington Consensus, was to provide quick disbursing finance to recipient countries to support measures designed to strengthen balance of payments without severely constraining demand in a manner which unnecessarily set back prospects for economic and social development (Der Hoeven and Der Kraaij, 1994). Adjustment' is premised on the idea that developing countries need to correct their external and domestic imbalances and restore their economies to paths of sustainable growth.

The structural adjustment modality is policy-driven rather than project or programme driven and it is a modality where policy and reform meet. The recipient country is expected, under the condition of receiving structural adjustment lending, to adopt a range of initiatives which in this particular case have a pronounced neo-liberal flavour, that is, macroeconomic liberalization; these involve adjustments in policy instruments and reform of institutions (including in relation to governance) as well as the achievement of performance targets. Such reform measures are agreed upon – after a series of negotiations – by the lending agency and the recipient nation and further funds will be disbursed only when there is a clear indication that such measures are being enacted and that the recipient nation has met the repayment schedule (Shah, 2013). Structural adjustment has continued during what is called the ‘post-Washington Consensus’ or ‘partnership’ era from the mid-1990s.

Though the notion of structural adjustment is rarely deployed to designate these more recent initiatives, certainly these initiatives are underpinned by structural adjustment reasoning and practices to bring about wide-ranging changes in national policies. Thus, they have involved the continuation of macro-economic constraints and conditionalities vis-à-vis peripheral nations, as well as policy and institutional reform interventions stretching to all corners of political, economic and social life (Kanbur, 2001). It seems clear that structural adjustment aid, though allowing for a more coordinated and integrated development effort at national level (as framed within modernisation theory) as compared to project and sector wide aid, only deepens the problem of global demands on national development plans and programmes. This becomes clear from the range of adjustments required.

The standard structural adjustment reform package under both the Washington and post-Washington consensus includes a broad demand management initiative to put tighter fiscal, monetary and tax policies in place to drive up interest rates, reduce public spending and raise tax revenues. It also entails exchange-rate adjustments, specifically devaluation, leading to a rise in the prices of imports and the overall price level of commodities, as devaluation is believed to act as a damper to aggregate demand and thus reinforces the impact of restrictive monetary and fiscal policies. Central as well to structural adjustment is external financing policies which are designed to facilitate a reduction of the debt burden carried by peripheral nations. In this sense, there is an accommodation with creditors in order to alleviate the costs of debt. In this regard, specific measures include rescheduling of debt and increases in concessional inward flows. In addition, there is a process of economic liberalisation – with an emphasis on market-driven growth – through the removal of domestic price controls, reduction in public subsidies, lower import tariffs and export taxes, the removal of import quotas, privatisation of state marketing boards, and the reduction or elimination of agricultural input subsidies. All of this is to take place alongside state restructuring primarily through conditionalities focusing on so-called good governance; this effectively means the establishment of liberal democracies where civil and political liberties flourish.

Structural adjustment policies have altered over the years. For instance, later policies give greater significance to the role of the state in terms of setting the conditions necessary for neo-liberal and market restructuring, and they also bring more to the fore the importance of tackling inequality and poverty such that the post-Washington Consensus package is said to be ‘kinder and gentler’ by giving structural adjustment a ‘human face’. Despite these no doubt significant changes, earlier and later packages have been subjected to intense criticism.

Of particular relevance to the thesis is the claim that structural adjustment has wounded the sovereignty and autonomy of recipient states, such that states undertake forms of restructuring which clearly do not have the support of the national electorate. Given that funding disbursements involve terms which explicitly entail a range of conditionalities and performance conditionality, any break with the conditionalities (including the repayment schedule) by the recipient nation may lead to a discontinuation of programmes and a halt to further disbursements. Guyana is an example of this, where a structural adjustment loan was suspended following a large decline in the global prices of sugar and bauxite exports from Guyana. Zimbabwe has also received the wrath of the World Bank and IMF for its supposed wayward policies and programmes relating to indigenisation of the economy. In doing so, Zimbabwe turned its back on the terms and conditions in which peripheral nations are expected to integrate themselves into the global economy. It seems then that structural adjustment may only deepen the subordination of nation-states to the imperatives of globalisation and that state autonomy may be further compromised in the process. I now raise this more specifically with respect to budget support as a modality of aid.

3.3.4 Budget support

The concept of budget support is central in this study, given the European Union's pursuit of it in relation to Mozambique. Budget support in part evolved out of a concern to counteract the problems of autonomy and sovereignty already discussed and therefore to deepen local ownership of national development initiatives. Thus, unlike project aid, sector wide aid and structural adjustment aid, budget support is an approach which is supposed to take into account the recipient country's own priorities and strategies and thereby to align budget support to national development plans (Renzi, 2007). Like structural adjustment, it is directed at the entire policy range of the recipient nation-state.

The OECD defines budget support "as a method of financing a partner country's budget through a transfer of resources from an external financing agency to the partner government's national treasury" (OECD, 2006:26-27). The funds thus transferred are managed in accordance with the recipient's budgetary procedures (OECD, 2006:26-27) Likewise, the European Commission (EC) indicates the following:

Budget support is the transfer of financial resources of an external financing agency to the national treasury of a partner country, following the respect by the latter of the agreed conditions for payment. The financial resources thus received are part of the

global resources of the partner country and consequently used in accordance with the public financial management system of the partner country (EC, 2007:8).

Accordingly, the EC and the OECD consider budget support as funds that are channeled directly to the partner government's general treasury and are then deployed according to the recipient country's own allocation, procurement and accounting systems (Caputo et al., 2008). The fact that funds received enter the 'national treasury' and 'are part of the global resources' of the recipient nation seems to imply some flexibility and space to manoeuvre in prioritising and allocating funds for pressing development needs.

In supporting national development strategies, budget support places special emphasis on poverty reduction, improved service delivery, pro-poor growth and the realisation of the Millennium Development Goals (MDGs). In this regard the European Commission (which is a key structure within the EU involved specifically in development aid) states that "budget support provides resources to increase funding for national strategies addressing poverty reduction, or economic and social reform" (EC, 2008:5). Consistent with the general disposition of budget support already indicated, the European Commission goes on to argue the "partners themselves identify" these strategies. In this respect, budget support is said to be significantly different from the other modalities discussed, in that there is a symbiotic partnership and mutual accountability between the donor and the recipient country. In fact, the notion of partnership is central to the broader post-Washington Consensus development discourse.

A distinction is made between general budget and sector budget support. The former represents a transfer to the national treasury in support of overall budgetary priorities and therefore of a national development strategy and the latter represents a transfer to the national treasury in support of a sector wide development programme (European Commission, 2007). General budget support is the more common form of aid used by the European Commission in its development initiatives with countries such as Mozambique.

General budget support is meant to meet its objectives in the short- to medium-term and the time-frame adopted depends on the socio-economic context of the specific recipient nation. In the case of short-term budget support, the recipient country may need to be stabilised or rehabilitated because of natural disaster or civil conflict. Medium-term support is commonly used to support development reform policies and strategies through appropriate budget planning and implementation, as articulated for example in the recipient nation's five-year development plans or in relation to national poverty reduction strategies. In the case of the latter (medium-term support) though perhaps not in the case of the former (short-term

support), the budget support is not earmarked or tied to particular projects or programmes but involves broader financial support to the partner country. This is particularly true of general budget support, because sector budget support at times is markedly programme-based.

The funds dispersed – irrespective of the form of budget support – are in general managed by the partner country’s own administrative, logistical and financial systems, in relation to allocation, procurement and accounting. But general budget support is more all-embracing in terms of the character of the partnership between donor and recipient nations. It is not simply a financial contribution to the partner country’s budget; it also includes critical aspects relating to dialogue, technical assistance, capacity building, as well as harmonisation and alignment of an array of development initiatives. Other pertinent questions raised in relation to general budget support are debt relief and challenges around skewed balance of payments, both of which detrimentally impact on national development capacity.

As with other aid modalities, general budget support has conditionalities attached to it (both general and specific conditions) which need to be met for the disbursements to take place on an ongoing basis. The general conditions apply to the disbursement of all tranches (whether these are fixed or variable tranches), and these involve the following:

- (i) That national development or reform policy and strategy is in place or under implementation; (ii) that a stability-oriented macroeconomic policy is in place or under implementation; and (iii) that a credible and relevant programme to improve public financial management is in place or under implementation. With regards to the previously mentioned conditions, it is crucial to note that these conditions must be set in a manner that allows for verification without creating an excessively inflexible environment likely to build bottlenecks called “stop and go” during programme implementation (Europe Aid, 2008:7).

Specific conditions are performance-based focusing on the end result or outcome rather than the means. Of particular significance under general conditions is the reference to a ‘stability-oriented macroeconomic policy’, which should be read as neo-liberal restructuring under current conditions. In this sense, general budget support is consistent with structural adjustment programmes, and serious doubts may be raised about the prospects of independent development paths in peripheral nations if these nations are to be integrated into the world economy on the terms and conditions of neo-liberalisation.

The disbursement process of general budget support would go along the following lines. The donor, such as the European Union, would first assess if the general pre-conditions for budget support are already in place and thus aligned with donor expectations. This would

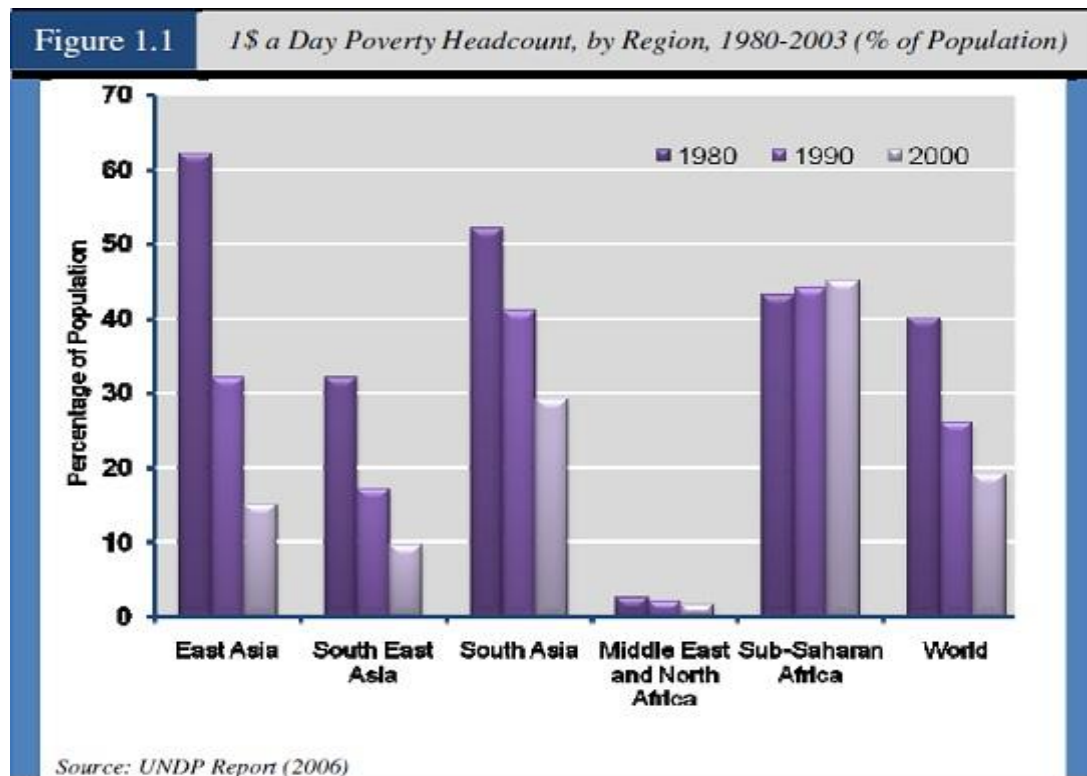
also include the ingrained presence of practices of good governance of the recipient country such as the respect for human rights, civil liberties, democratic consolidation and the rule of law. Not only national but also sector-based policies and reforms should be in place, along with a suitable public management system involving transparency and oversight of the budget (European Commission, 2011). Once these pre-conditions are met, the donor disburses the funds in either fixed or variable tranches. In the case of variable tranches, the tranche is disbursed in full only if all the conditions have been met; if one or more conditions have not been met, then the value of the tranche decreases accordingly or is not dispersed at all. In the case of a fixed tranche, the funds are given in full depending on whether the previously specified targets or performance criteria and indicators have been met and provided that the general conditions have also been met (Europe Aid, 2008).

3.4 Aid Delivery to Africa

Development aid, in the different aid modalities, has been prevalent throughout the history of post-colonial Africa. This of course is understandable given the colonial past and the depth of underdevelopment which has marked African nations over many decades now. What is less understandable (at least from the perspective of modernisation theory) is why, after so many years of aid, significant and genuine development throughout Africa continues to be elusive. The proponents of foreign would claim that it is a question of identifying the correct mix and sequencing of aid and, in addition, that fundamental problems relate not to external factors such as aid but to internal factors such as democratic deficiencies amongst African nation-states.

I begin this section by looking at development indicators in Africa before considering some key points about aid and dependency with regard to African nations. An overview of the history of Africa would reveal a history of poverty and inequality. In fact, during the two decades which spanned from 1980 to 2000, poverty in Africa was on the rise which was in stark contrast to all other world regions and the world in general. Figure 3.1 illustrates the absolute increase in levels of poverty in Africa over this period while other regions experienced an absolute decline.

Figure 3.1: Poverty Comparison by World Regions



Source: UNDP Report (2006).

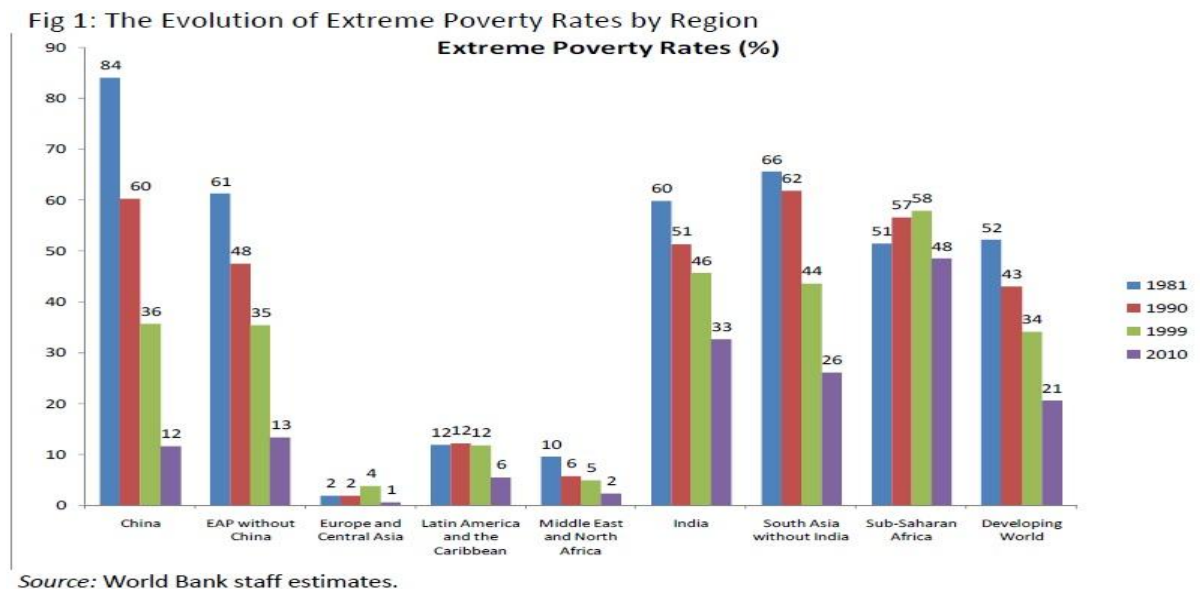
For purposes of this thesis, a working definition of poverty is in order. In this regard, the definition of poverty as offered by the United Nations (UN) in 1998 (Gordon, 2005:22) is adequate:

Fundamentally, poverty is a denial of choices and opportunities, a violation of human dignity. It means lack of basic capacity to participate effectively in society. It means not having enough to feed and clothe a family, not having a school or clinic to go to; not having the land on which to grow one's food or a job to earn one's living, not having access to credit. It means insecurity, powerlessness and exclusion of individuals, households and communities. It means susceptibility to violence, and it often implies living on marginal or fragile environments, without access to clean water or sanitation.

Though this thesis is not directly a study of poverty as such, the existence of poverty as an indicator of the depth of development deficiencies in peripheral nations provides partial justification for general budget support and other aid modalities. Clearly, poverty entails a wide spectrum of human life and covers social, political, economic and moral dimensions of the human condition. Poverty may reach different levels of intensity including absolute poverty, defined – again by the UN (2012:7) – as “a condition characterised by severe

deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services". The figure below (Figure 3.2) provides more current details about the state of poverty affecting the 841 million people living in sub-Saharan Africa and beyond.

Figure 3.2: Poverty Rates by Regions over selected years



The poverty figures are based on a poverty line of \$1.25 (US dollars) a day. There has been a general decline in poverty globally since the late 1990s, though Africa lags behind significantly in this regard. In fact, over three decades, the proportion of people living in extreme poverty in sub-Saharan Africa was reduced by a mere three percentage points, from 51% in 1981 to 48% in 2010. By contrast, China's levels of extreme poverty reduced from 84% in 1981 to 12% in 2010.

Though there may be some evidence of a recovery in Africa in relation to poverty subsequent to the early 2000s, there is no clear evidence that this is linked in a causal manner to development aid in any of its modalities. Foreign aid is part and parcel of the global development industry but the unevenness and swings in capitalist development (as a world-wide and integrated system), which leads to varying poverty levels over time, is animated by the deep structures of global capitalist accumulation of which the development industry is only a part.

Besides poverty, the challenges of development in Africa are also manifested in other socio-economic indicators, such as the real Gross Domestic Product (GDP) per capita (see Figure 3.3). The trends regarding extreme poverty therefore match the trajectory of the GDP

per capita. Specifically, real GDP per capita was 587 US dollars in 1980 and 585 US dollars in 2006, which reflects overall stagnation for almost 25 years (World Bank, 2011).

Figure 3.3: Real Gross Domestic Per Capita in Sub-Saharan Africa

	Constant prices (2000 \$)									Annual average growth (%)		
	1980	1990	2002	2004	2005	2006	2007	2008	2009 ^a	1980-90	1990-00	2000-09
SUB-SAHARAN AFRICA	587	530	526	547	564	585	608	623	618	-0.9	-0.6	2.6
Excluding South Africa	367	328	350	365	378	393	410	423	428	-0.8	-0.2	3.1
Excl. S. Africa & Nigeria	347	322	336	350	362	377	394	406	408	-0.2	-0.3	2.8
Angola	..	704	712	767	800	1,036	1,213	1,330	1,313	..	-2.4	3.9
Benin	305	284	348	348	347	349	354	360	363	-0.4	1.3	0.6
Botswana	1,227	2,512	3,784	3,941	3,954	4,000	4,293	4,300	4,082	7.6	2.5	3.0
Burkina Faso	160	177	246	248	255	260	260	264	264	1.4	2.8	1.9
Burundi	135	152	107	100	107	100	110	111	112	1.2	-3.4	0.2
Cameroon	698	719	670	678	678	684	692	696	694	1.4	-1.6	1.0
Cape Verde	..	354	1,325	1,204	1,426	1,547	1,657	1,730	1,783	..	3.4	4.8
Central African Republic	324	278	223	222	223	227	231	232	233	-1.2	-0.9	-1.0
Chad	144	161	206	265	301	293	285	277	265	3.4	-0.6	3.7
Comoros	405	416	387	375	366	382	375	370	367	0.0	-1.1	-0.3
Congo, Dem. Rep.	258	207	93	98	60	01	01	07	07	1.3	8.8	2.1
Congo, Rep.	962	1,143	1,081	1,092	1,151	1,197	1,157	1,199	1,267	2.1	-1.4	1.8
Côte d'Ivoire	018	368	516	548	571	593	530	530	536	3.2	0.3	1.3
Ujibouti	..	1,178	787	782	793	816	843	876	904	..	-4.7	2.1
Equatorial Guinea	..	547	4,736	6,433	6,877	6,770	9,017	8,692	8,011	..	15.2	13.6
Eritrea	187	163	161	154	151	132	133	-3.4
Ethiopia	..	129	124	107	160	182	178	189	201	..	-0.7	5.7
Gabon	5,274	4,340	4,020	3,993	4,004	4,004	4,148	4,168	4,054	-1.6	-0.9	0.1
Gambia, Tho	316	340	321	333	340	351	363	375	382	0.2	0.8	2.1
Ghana	239	218	272	283	290	302	315	335	343	-1.1	1.6	3.5
Guinea	..	340	396	397	400	402	401	411	400	..	1.0	1.0
Guinea-Bissau	137	122	136	140	143	143	140	142	143	2.8	-1.6	-1.4
Kenya	436	450	401	411	424	436	457	452	452	0.3	-1.0	1.7
Lesotho	293	315	410	424	424	446	455	471	471	0.3	2.1	2.1
Liberia	728	200	131	131	103	106	144	140	140	-6.7	-1.9	-3.5
Madagascar	360	280	237	242	246	252	260	271	255	-2.4	-1.7	0.8
Malawi	161	102	136	141	141	146	152	160	168	-2.4	1.4	1.9
Mali	214	168	270	263	278	286	292	299	304	-1.0	2.1	2.8
Mauritania	454	410	420	430	441	514	472	478	402	-0.6	0.2	2.0
Mauritius	1,573	2,579	4,036	4,263	4,264	4,419	4,634	4,839	4,917	4.8	3.6	2.9
Mozambique	208	165	277	291	308	326	342	357	371	-1.0	2.8	5.2
Namibia	2,262	1,828	2,233	2,463	2,475	2,596	2,686	2,747	2,673	-2.2	1.6	3.3

Source: Africa Development Indicators (2011).

This brief overview demonstrates that it will be very difficult for sub-Saharan Africa in particular to achieve the MDG goal of halving the proportion of people in extreme poverty by 2015. Sub-Saharan Africa is a long way away from achieving this goal, as the level of extreme poverty has only dropped from 56% in 1990 to 47% currently, which is well short of the goal to halve it (United Nations, 2012). Because of these extreme shortfalls, some analysts have calculated that – in terms of halving extreme poverty – the more realistic and foreseeable date of accomplishment is 2165 rather than the date of 2015 (Abbas and Niyiragira, 2009). Such disturbing trends of course lead to probing doubts about foreign aid effectiveness insofar as foreign aid is seen as instrumental to jump-starting and driving development in peripheral nations. Indeed, the history of post-colonial Africa is also simultaneously a history of foreign aid. I outline this history schematically before focusing more specifically on the critical questions of aid and dependency in Africa.

The formation and institutionalization of the system of development aid in British colonies can be traced back to the Colonial Act and the Colonial Development and Welfare Act of 1940 and 1945 respectively. Likewise, in the early 1930s, the United States Department of Agriculture was funding and managing agricultural research centres in many parts of Latin America and French aid to its colonies grew rapidly in the 1940s. However, the notion of development aid became more pronounced within international organizations and international fora. For example, in the 1940s, the International Labour Office (ILO) pursued aid funds in order to increase living standards of workers in peripheral nations. As well, in 1943, the United Nations Relief and Rehabilitation Administration (UNRRA) was established and received funds from more than forty countries to assist in a development agenda in almost fifty countries. This was later followed by the UN on People and Human Rights (specifically Articles 57, 25 and 28) which promoted a betterment of socio-economic conditions and the realisation of human rights, and which effectively formalised development aid on an international scale. Churches also played a critical part in the institutionalization of aid, as in colonial Zimbabwe (Rhodesia), including Christian Aid, the Cooperation for Assistance and Relief Everywhere (CARE) and Catholic Relief Services.

Development aid to Africa received a massive boost with the start of the process of de-colonialisation in the 1950s and beyond, and it was an indirect offspring of the Marshall Plan and the reconstruction of war-torn Europe, as discussed previously. The Truman doctrine of 1949 provided further stimulation for advanced industrialised nations to embark on a mission of development throughout the 1950s in Africa and elsewhere (Abbas and Niyiragira, 2009), and in the 1960s the World Bank and the IMF grew in significance as a source of development aid. Such aid was not having the desired effect in terms of stimulating dramatic economic growth in Africa, such that post-independence economic growth halted sharply in Africa in the late 1970s. This of course was linked to global events, including a major rise in oil prices which coincided with collapsing export prices for primary commodities emanating from Africa. Foreign aid, despite any claims to the contrary by strong (modernist) proponents of aid, was never designed to counter such systemic global problems.

Nevertheless, the global response (led by the IMF and World Bank) only reinforced the aid system (though in altered form). It was argued that African states required massive external help in the form of grants and cheap loans to cover shortfalls in their access to foreign exchange, while at the same time global prices for primary products would be

restored in order to realise the comparative advantage of primary commodity producers in Africa and elsewhere.

These structural adjustment programmes, as discussed earlier, did not facilitate development take-off and indeed deepened the levels of chronic poverty and social inequality throughout Africa. In fact, from the 1980s, the reliance on aid by African nations as a whole increased and so did the conditionalities associated with aid. Particularly noteworthy is that Africa replaced south and central Asia as the leading recipient of aid, moving from 21 per cent of global aid in 1960 to 35 per cent in 1980. Following this, official development assistance to Africa reached a further peak in 1990 following a decade of structural adjustment lending. Since then, there has been a further increase in development aid to Africa, with the UN Millennium summit in 2000 being a manifestation of the ingrained belief that aid is a critical vehicle for development in Africa.

3.5 Aid and Dependency in Africa

This development aid trend raises the critical issue of aid dependency (and indeed autonomy). From a radical perspective critical of modernisation theory, it is argued that increased aid has been marked by “ever deepening dependence and the aggressive use of aid conditions to enforce the infamous Washington Consensus coordinated by the World Bank and the IMF” (Glennie, 2008:37). In this study, dependency is used in a way consistent with Lancaster’s (1999) definition which asserts that a nation is dependent upon foreign aid when there has been a high level of aid over an extended period which, first of all, strongly influences expenditure and investment patterns and which, secondly, has the potential to cause severe economic and political disruptions if suddenly terminated. Admittedly, this definition may be somewhat vague and the operationalisation of dependency in terms of identifying and measuring dependency is not without its problems. But Lancaster (1999) does suggest that the prolonged history of substantial aid to African nations such as Ethiopia, Kenya and Malawi is a marker of deep dependency, while other nations like Botswana and South Africa have significantly less levels of dependency. Based on Lancaster’s claims, it is likely that Mozambique would fit into the former categories of nations marked by deep dependency.

Such dependency has implications for nation-state autonomy in relation to pursuing a national development path, as aid dependency does undermine the bargaining power of a nation-state. This is not to suggest a straightforward one-to-one causal relationship between the degree of global dependency and the extent and form of state autonomy, as intra-national dynamics (critically, the balance of social forces within a nation-state) also impact on state

autonomy vis-à-vis global forces. But global aid dependence does, at least potentially, shape intra-national dynamics as well. For example, the ongoing reliance on external aid may lead to a rentier state and to the ‘capture’ of the state by African elites – including the bureaucratic elite – because their world and work becomes embedded within the international development system to their own material advantage and to the advantage of those with whom they seek and establish local alliances. In this sense, the formation of a rentier state leads to the recipient state becoming detached from the common people and therefore less accountable to the broad mass of citizens. The rentier state is less dependent on taxation as a source of state revenue, and this undercuts democratic institutions and practices as well as state capacity in grounding national development in the needs and aspirations of its citizenry (Abuzeid, 2009).

In this context, it is not surprising that the following quotations about aid in Africa, as set out in Diagram 3.1, raise serious doubts about the effectiveness of aid and therefore about the theoretical underpinning of aid as a basis for socio-economic development in peripheral nations. Given the ongoing relevance of aid to Africa, it seems problematic that such negativity is directed towards the subject of aid to and in Africa. After all, giving aid remains central to the international development system. And, in fact, aid continues to have significant support in donor nations. For example, recent surveys in Europe indicate that 85% of Europeans believe aid should continue and 61% of Europeans even support an increase in aid (European Commission, 2012). But, as the following discussion indicates, development aid is a complex system whose overall effect must be carefully scrutinized. In fact, it seems that development aid, despite its overall ineffectiveness, has become a self-reproducing system in which the problems internal to it become externalised in and through the hegemonic development discourse, such that aid itself becomes beyond criticism.

In this regard, I consider the thoughts of three theorists of development aid. In examining aid to Africa, Moyo (2009:xviii) argues that “we live in a culture of aid ... in a culture in which those who are better off subscribe both mentally and financially to the notion that giving arms to the poor is the right thing to do”. Aid, she goes on to argue, has become a dimension of pop culture (or even a cultural commodity) in which “media figures, film stars... eagerly embrace aid and proselytize the need for it... scold governments for not doing enough – and governments respond in kind, fearful of losing popularity and desperate to win favour” (Moyo 2009:xviii). As a commodity, aid entails an exchange transaction which, from the perspective of critical theorists like Karl Marx, is neither free nor fair. It is not free because African nations in the periphery are normally compelled to integrate themselves into

the global aid system; and it is not fair because – in the exchange – peripheral nations are integrated into the global system in a dependent and subordinate manner. Though nation-states may recognise this position of subordination and even the ineffectiveness of aid, they nevertheless may feel compelled to remain within the system or at least comply with it because no viable alternative is deemed possible.

Diagram 3.1: Quotations about Aid and Dependency

“Those who can should help those who are in extreme need. What could be simpler? This is the principle that underpins and drives support for foreign aid. In turn, the belief that aid is ‘a good thing’ is sustained by the assumption that the resources or skills that aid provides do indeed make a difference to those being assisted” (Riddell, 2007).

“Across the globe the recipients of this are worse off; much worse off. Aid has helped make the poor poorer and growth slower. Yet aid remains the centrepiece of today’s development policy and one of the biggest ideas of our time” (Moyo, 2009).

“Over time, looking at the reality of aid, checking statistics, and talking with people who see how aid has set back their country’s development rather than strengthened it, I have slowly come to accept that aid is not the answer to Africa’s poverty” (Glennie, 2008).

“Where I come from in West Africa, We have a saying: “A fool at 40 is a fool forever” and most African countries have now been independent for over 40 years” (Samura, 2012)

The ineffectiveness of aid is highlighted by Moyo (2009). She notes that up to US \$1 trillion in development-related aid has been transferred from advanced industrialised nations to Africa over many decades; yet, as the earlier statistical overview demonstrates, African nations as a whole remain in a condition of pronounced and in fact systemic underdevelopment. In this respect, it is hard not to conclude that aid is not a remedy or solution (let alone a panacea) as the mainstream discourses assert. Rather, under the guise of development, aid perpetuates poverty, inequality and dependence in an ongoing and vicious

cycle as follows: the more aid is disbursed in the present, the more it will be disbursed in the future. Hence, though aid “remains the centrepiece of today’s development policy and one of the biggest ideas of our time, ... the notion that aid can alleviate systematic poverty, and has done so is myth. Millions of people in Africa are poorer today because of aid; misery and poverty have not ended but increased” (Moyo 2009:3). Aid therefore simply compounds, or has aided and abetted, the problem of un-development and underdevelopment throughout Africa. Moyo’s arguments do show a clear relationship between aid dependency and ongoing underdevelopment in Africa, but her claims do not show a conclusive causal relationship between the two. Aid is only one of many linkages between peripheral nations and the global political economy, and it may be that these broader linkages counter or even nullify any possible effectiveness of aid. Nevertheless, the extent of aid dependency for Africa is made abundantly clear.

Glennie (2008) reiterates many of the sweeping claims made by Moyo, and refers to aid dependency as aid addiction from which it is hard to withdraw or break free from. Hence, “aid can become addictive and infect the autonomy of governments” (Aid to Africa, 2009:7) as recipient governments depend on it to finance their own budgets, thus becoming willing participants in a process of neo-colonialism and submitting to foreign interests at the expense of their autonomy. Aid, for Glennie, is only a short-term solution in that it keeps African nations afloat in the here-and-now, but simultaneously it does not address medium- and long-term systemic problems embedded in the global political economy and which undermine genuine development in the periphery. As he argues: “Official aid to Africa (that is money funded by governments) has many harmful effects that have actually increased poverty in Africa and put off the development of states capable of fulfilling the rights and needs of African citizens” (Glennie 2008:66).

He expresses concern not simply about economic subordination globally for African nations but the effects on democratic accountability for nation-states. Thus, because of the pervasive conditions attached to it, aid has “undermined the development of the basic institutions needed to govern and the vital link of accountability between state and citizens” (Glennie, 2008:71). In this way, at least implicitly, he critically comments on the question of state autonomy in pursuing socio-economic development, as aid lends itself to upward accountability to donors and minimises downward accountability to citizens. This is linked to the patron-client relations invariably established between donor and recipient through the aid system, which relates back to the notion of a rentier-state. For Glennie, the problem becomes either foreign aid *per se* or the current architecture or organisational structure (or modality) of

foreign aid. He leans towards the former. As a minimum demand, Glennie (2008) calls for a drastic change in the fabric of the aid system but, in the end, his solution is a reduction in – if not a complete discontinuance of – the system.

Riddell (2007) highlights the significance of aid to Africa, or development cooperation or partnership as it is known under the post-Washington Consensus, in the context of contemporary international relations. Though recognising the morality, altruism and benevolence that sometimes provides the justification for such cooperation, he adopts a realist account of the international nation-state system and claims that, ultimately, aid is about serving the particular interests of particular nation-states. The ways in which post-colonial states in Africa became pawns in the Cold War, and received development aid on this basis, is testimony to this.

In this regard, aid therefore is not a free gift and indeed it may be a fatal gift if ongoing dependence and underdevelopment of African nations is taken into consideration. This argument resonates with a number of colloquial sayings in a range of languages, in both the language of the colonisers and colonised. For example, while the British say ‘there is no such thing as a free lunch’, the Shona language in Zimbabwe distinguishes between different forms of gifts including the ‘free gift’ (*handwa*), the ‘generous gift’ (*gomborero*) and a ‘gift given to predispose the receiver in the giver’s favour’ (*tsinzo*). The last idiom is representative of Riddell’s arguments about the aid system. As Arnold (1979:24) rightfully argues, aid is a “matter of hard-headed policy” ruled by “self-interest on the part of the donor nation governments”. This kind of gift certainly does not entail the offering of a free lunch or gift.

The thoughts raised and discussed here with regard to underdevelopment in Africa and the aid syndrome (and its ineffectiveness) is brought vividly to the fore in the documentary called *The End of Poverty* by Philippe Diaz (2010). It is a very insightful documentary which takes us back to some of the root causes of social, economic and political inequality in the world and it argues that the international aid system fits into the logic of previous rounds of colonial and imperial expansion and current-day globalisation, and serves particular social interests in doing so. Unless one adopts such a long-term and critical perspective on development aid, it becomes almost impossible to understand the rationale behind aid and its ongoing significance globally. In this light, aid becomes part of the problem of re-inscribing global domination through neo-colonial restructuring rather than being a part of any sustainable development solution for peripheral nations on the African continent.

While the international aid system is of course a very complex and multi-faceted institutional arrangement, there is no doubt that the arguments presented by critics who label aid as re-colonisation have considerable weight and force. This re-colonisation has political, economic, social and, not least importantly, discursive dimensions. As post-colonial theory argues, uncritical proponents and deliverers of aid continue to denigrate the human condition in Africa and tend to place blame for development (and democratic) deficiencies on this condition. In other words, problems which may be mainly externally-generated (for example, underdevelopment) are internalised and hence are said to be embedded in the African condition including its history and culture. This of course borders on essentialism and racism, as Goudge (2003) notes. In *The Whiteness of Power*, she argues that “racialized processes may have been transmogrified over time, but that does not render them less powerful in determining the nature of global relations – who benefits and who losses” (Goudge 2003:159). Undoubtedly, the imagery and language of aid do seem to contain undertones which support the above assertion. Accepting this argument of course should not white-wash African nations of all guilt in analysing their ongoing development challenges. In the end, understanding global relations of dependence involves a dual and simultaneous focus on both the global and national dimensions of the development crisis affecting Africa.

3.6 Conclusion

This chapter has offered a critical analysis of development aid with specific regard to Africa. Development aid, in whatever form, is supported conceptually by modernisation theory. This theory argues that foreign aid is beneficial to nation-states like Mozambique in the periphery and that any problems with aid relate to problems with formulation and implementation of aid, and not with aid as such. A more critical perspective, which arises from this chapter and discussed in relation to poverty and aid on the African continent, leads to the conclusion that aid is hugely problematic and that it leads to dependency and subordination and quite likely to the undercutting of nation-state autonomy in pursuing home-grown development paths insofar as such paths are possible in the globalised world. Again, though, the specific form and degree of non-autonomy requires concrete analysis. I move closer to addressing this issue with reference to Mozambique in the following chapter by looking specifically at the European Union and its involvement in African development.

Chapter Four

European Union and Africa

1.1 Introduction

This chapter examines the European Union (EU) and Africa. In doing so, it is divided into four main sections. The first section discusses the architecture of the EU and explores the defining characteristics of this regional body. In the second section, I discuss the EU and its external initiatives in relation to foreign policy, trade, development and aid. The third section examines these external relations with specific reference to Africa. The last brief section highlights the significance for the EU of budget support as a particular aid modality. The role of the EU is examined critically in the context of the discussions in the previous two chapters, and this chapter sets the stage for the following chapter on EU budget support to Mozambique.

4.2 The European Union: History and Regional Cooperation

In this section, I briefly review the history of the European Union (EU), at least key moments in its history, and some important initiatives as a basis for regional cooperation. The EU was created in the aftermath of the Second World War, with Europe being split into the communist East and the capitalist West and resulting in the forty-year Cold War. The EU was originally and primarily designed to foster economic cooperation within the region, including the intention to increase trade and avoid conflict between European countries. In this regard, the EU became increasingly based on a single regional market and a common currency (the Euro). The EU, though initially inward-looking, now is deeply involved in development aid and cooperation globally (Europa.eu, 2012).

A number of Western European nations created the Council of Europe in 1949 which was the first step of economic (and political) cooperation. On the 9th of May 1950, France's Foreign Minister (Robert Schuman) presented a plan for further cooperation and this day was later proclaimed as 'Europe Day'. On the 18th of April 1951, under the Schuman plan, six countries (Germany, France, Italy the Netherlands, Belgium and Luxembourg) signed a treaty known as the Coal and Steel Treaty to manage their heavy industries – notably coal and steel – under common management, in part to prevent each member-state from manufacturing weapons of war to turn against the other as in the past.

Following this, and due to the success of the treaty, the six founding members expanded cooperation on the 25th of March 1957 by signing the Treaty of Rome. This agreement created the European Economic Community (EEC), also known colloquially as the common market, so as to enable the easier movement of people, services and goods across borders. In July 1962, the then-existing EU members implemented a common national agricultural policy. In addition, on the 1st of July 1968, the member states of the EU removed custom duties on imported goods between the states to facilitate free trade. Processes of economic integration grew further in the 1970s. For example, the EU nations allowed for the fluctuation of their currencies against each other within narrow limits. This exchange mechanism was created in 1972 and was the first step towards the introduction of the Euro thirty years later.

This was later followed by an increase in member states from six to nine when Denmark, Ireland and the United Kingdom joined the EU. On the 10th of December 1974, the EU established the European Regional Development Fund with the purpose of aiding less developed regions in the EU nations in relation to roads, communications, investment and employment. The European Parliament had been established by this time but, during June 1979, EU citizens directly elected the members of the Parliament for the first time; previously, members of the European Parliament were delegated by national parliaments of EU member states.

Some years later, on the 7th of February 1992, the Treaty on European Union was signed in Maastricht. This agreement set clear rules for the future single currency as well as for joint cooperation on matters of foreign and security policies. The treaty is of great significance because it marked the change in the name of the regional body from the 'European Community' to 'European Union'. It also laid a firmer foundation for the single market and freer trade. By 2012, more than 200 laws had been signed and agreed upon by the EU since 1986, including on trade, investment, tax, security and the environment (Europa.eu, 2012). By early 1995, the EU consisted of fifteen member states including a unified Germany. Soon after, on 26th of March 1995, the Schengen Agreement was signed allowing for citizens of Belgium, Germany, Spain, France, Luxembourg, the Netherlands and Portugal to travel between all these countries without the need for a passport; and this agreement was later extended to other countries in the EU.

This was later followed by the Treaty of Amsterdam which sought to reform and consolidate EU institutions in order to fortify the position of Europe as a growing economic giant in the world. Simultaneously, membership agreements were being pursued with ten

countries from central and Eastern Europe, particularly in the light of the fall of the Berlin Wall and the breakup of the Soviet Union. By 2004, this led to the following countries joining the EU: Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovenia and Slovakia. The (now 25) EU countries signed a treaty in 2004 establishing a European-wide constitution which was designed to ensure democratic decision-making and management within the EU. A few years later, in 2007, the EU countries signed the Treaty of Lisbon which came into effect in 2009. Consistent with the constitutional framework, this treaty sought to make the EU (at a political level) more democratic and transparent.

This discussion clearly shows that the EU as a regional body has both economic and political dimensions. In fact, the EU defines itself quite simply as “a unique economic and political partnership between 27 European countries” (Europa.eu 2012:1). The EU perceives itself as a unique entity because of the character of the regional partnership: although the members of the EU are all sovereign states, they have pooled together some of their sovereignty to enhance their economic and political prowess. In practice, this pooling together translates into member states giving decision-making powers to regional institutions that were created democratically so as to make cooperative and mutually-beneficial decisions on behalf of member states and the region as a whole. This therefore entails a “supranational entity whose member states have agreed to share a high degree of national sovereignty in order to tackle common problems and pursue joint solutions” (Dinan, 2011:13).

The institutional framework of the EU comprises a number of bodies. These include the European Council which brings together national and EU level leaders; the European Parliament incorporating directly elected members and which represents European citizens; the European Commission, whose members are appointed by national governments; and the Council of the European Union where governments defend their national interests so that regional interests do not override and undermine these specific national interests. These bodies are supported by the Court of Justice which upholds the rule of European law and the Court of Auditors which oversees the financing of the EU's activities and audits these activities. Overall, as indicated, the EU is based on a single market with the aim of simplifying relations between its members by fostering the free movement of people, goods, services, money and capital. While the EU began as an economic union, it clearly now acts, at least partially, in the political space normally reserved for national governments given that its decisions now covers a range of policy areas and issues. The EU highlights that its name change from the European Economic Community to the European Union in 1993 reflects the more all-embracing scope of its activities beyond the merely economic sphere.

4.3 The EU beyond Europe: Foreign Policy, Trade, Development and Aid

The discussion in the previous section brings to the fore the inward-looking orientation of the EU in seeking to build cooperation between European nations. But, early on in its history, it also sought to be more outward-looking. For instance, in 1963, and in the context of the process of de-colonisation notably in Africa, the EU signed its first international agreement with former colonies in Africa for development assistance. This agreement was part of a broader initiative leading to a special partnership agreement between the EU and 78 countries in Africa, the Caribbean and the Pacific (known as the ACP nations). In addition, the Treaty of Lisbon (mentioned earlier) sought to tackle global challenges such as climate change and sustainable development in conjunction with undeveloped nations.

The issue of the foreign policy of the EU (like foreign policy generally) is almost synonymous with power and politicking. Mainstream definitions, such as the following, fail to capture the power-laden underpinning of foreign policy, particularly such policy as enacted by advanced capitalist nations or blocs:

Those actions which, expressed in the form of explicitly stated goals, commitments and/or directives, and pursued by governmental representatives acting on behalf of their sovereign communities, are directed towards objectives, conditions and actors – both governmental and non-governmental – which they want to affect and which lie beyond their territorial legitimacy (Jakobson and Knox, 2010:78).

This benign definition can be countered by the argument made by Keukeleire and Schunk (2008:145) that “if all politics is the exercise of influence”, then foreign policy can be regarded as “the exercise of influence [or power] in international relations”. Certainly, in examining the EU’s relation with undeveloped nations, including Mozambique, the existence of power differentials globally needs to be brought to the fore, as highlighted in the previous two chapters.

An understanding of the EU’s foreign policy and in particular its international development policy must begin with what the EU officially states or claims about its foreign policy. Officially, this policy is spelled out as to “preserve peace and strengthen international security; to promote international cooperation; and to develop and consolidate democracy, the rule of law and respect for human rights and fundamental freedoms” (Europa, 2013:2). This humanitarian and seemingly humane foreign policy ideal should be considered alongside other, somewhat contrasting, views expressed by the EU on other occasions. Thus the EU also states that the EU is “building a common foreign policy which will do much to extend European values around the world” (European Union, 2012:1). This paints the EU in a rather

disingenuous light as the EU apparently – and quite consciously – seeks to export its (Eurocentric) values and norms to other regions of the world, which implies that it may be insensitive to the moral perspectives of these other regions in fostering development cooperation.

Institutionally, the EU conducts its foreign policy through the newly-created European External Action Service (EEAS) which forms the interface between the world and the EU in international affairs. Within the development sphere, Europe Aid is the agency responsible for designing EU development policies and delivering this aid across the world.

In terms of foreign policies and international affairs, it is clear that the EU is, and is considered as, a powerful entity in the global space. Member states of the Union are important trading nations across the globe, and the EU is a key player in the World Trade Organization (WTO) and the latter's negotiations around for instance agricultural subsidies. It also figures prominently in the structures of the International Monetary Fund (IMF) and the World Bank. It is very active in international forums pertaining to such global themes as human rights and environmental protection, and is one of the most vocal promoters of international agreements in this regard. The Union is a persuasive actor and has proven able to promote its own normative system beyond its regional borders.

This is reflective for instance in the Union's engagement in promoting the principle of regional integration beyond Europe, and is witnessed in the establishment of the African Union (AU) and the Association of South-East Asian Nations (ASEAN) both of which were formed along the lines of the model of the EU based on regional integration (and indeed these other regional bodies have been funded and supported by the Union). Therefore the concept of regionalism, at least from the perspective of the EU, holds a special place in the EU-Africa relationship and certainly, as an element of foreign policy, it is quite different when compared to the relationship between the USA and developing countries. The EU makes use of the principle of regionalism in its relations with Africa by obliging developing nations to form regional bodies to facilitate development and other forms of cooperation (Securelli, 2010).

EU policies towards Africa date back to the first years of European integration and involve a large spectrum of EU foreign policy resources and initiatives, including diplomacy, development cooperation and partnership agreements. Trade and development cooperation (in Africa and elsewhere) were, at least initially, at the forefront in the building of external relations by the EU. In 1957, the first European Development Fund (EDF) to target the former colonies of European states was enacted. Additionally, particularly since the first Lomé Convention (in 1975) between the EU and the ACP regions, the EU has signed several

joint partnership agreements with developing countries in the areas of trade, development, security and the environment.

In pursuing such initiatives, the EU has sought to position itself as a distinctive global and regional player with unique characteristics. In terms of the sheer volume of development aid, the EU has been highly significant and indeed is a major international donor even ahead of the USA. Since 1980, the Union and its member states have provided more than half of all Official Development Aid (ODA) globally. In providing such aid, it increasingly stresses the relationship between security and development goals as well as multilateralism. With respect to the latter, the EU has established economic partnership agreements with regional organizations amongst developing nations and, as indicated, has been actively engaged in the promotion of regional economic integration. To reiterate, in pursuing development cooperation and aid, many of the official documents of the EU – in relation to Africa specifically – emphasise the centrality of safeguarding the common values, fundamental interests and independence of the Union (Sicurelli, 2010, Goodman, 1996).

In terms of the EU's trade policies, the Lomé and the Cotonou Conventions provide the legal and political basis for these policies at least with reference to developing countries (McGuire and Smith, 2008). These trade policies date back to the late 1950s and earlier by building on the relationships established between European nations and former colonies of European states. Trade relationships with former colonies remained a priority for decades to come, though the relationships went through significant changes from the 1970s and into the new century, shifting first from a reciprocal liberalised trade regime to a unilateral preferential trade arrangement with the EU and then back to the reciprocal system. Table 4.1 below provides a summary of the changes in relation to the ACP countries.

The initial phase of the relationship between the EU and the ACP regions, which lasted until 1975 and entailed reciprocal liberalised trade, was put in place in terms of the Yaoundé conventions of 1963 and 1969. Through these conventions, the EU entered into a special relationship with its members' former colonies, such that ACP countries were provided aid and access to European markets but only on a reciprocal basis. Because of the reciprocity, there was no preferential treatment for the ACP countries and the arrangement was considered by other developing countries as non-discriminatory. The second phase, starting with the Lomé Convention of 1975, clearly favored the ACP countries with regard to trade with Europe. This was due to two reasons. Firstly, in this first Lomé Convention, the ACP countries negotiated as a bloc and this gave them significant bargaining power. Secondly, the second and third Lomé Conventions occurred during the height of the Cold

War. The EU was therefore eager to appease the ACP countries because of rivalry with the USSR and in order to keep the ACP under its sphere of influence. For instance, the union was willing to allow the ACP countries preferential access to European markets without requiring these countries to lower import duties.

Table 4.1: Changes in the EU–ACP trade regimes

	Yaoundé (I-II) 1963-1975	Lomé (I- IV) 1975-2000	Cotonou 2000-2020
Reciprocity	Reciprocity in tariff removal; principle of the most favoured nation	Non-reciprocity in tariff removal	EPAs, based on reciprocity, with a WTO waiver, expiring in 2007
Preferences	Rule of non-discrimination	Preferential Trade Agreements; EU trade preferences for the ACP; uniform preferential trade	Preferential Trade Agreements; EU trade preferences opened also to non-ACP countries; extreme differentiation for countries and for regions

Source: Sicurelli (2010).

This preferential position eventually gave way, in 2000, to a third phase. The fourth Lomé Convention in 1995 occurred after the Cold War and the ACP lost its bargaining power and ultimately its preferential position. At the same time, EU foreign policy was increasingly shifting towards the imposition of human rights clauses and political conditionality in development aid, in the context of global neoliberal restructuring, and this led to greater selectivity on the part of the EU in terms of assisting particular ACP nations. The end to all preferential treatment came in 2000 as other developing countries (particularly those in South America) complained to the World Trade Organization that preferential treatment granted to ACP countries was detrimental to the growth of other developing regions. Thus, with pressure from the WTO, the EU was soon to abandon all preferential treatment to their previous colonies. In order to end this process smoothly without too abrupt an interruption in trade patterns, the WTO agreed to a waiver which was meant to end in 2007. Hence, the EU agreed that approximately 90% of Europe-Africa trade should be liberalized. But it proposed

that, during this adjustment period, a range of goods produced in Africa should be subject to protective measures while all European goods should be subjected to the dictates of the world market (Europa, 2000).

Dialogue between the EU and states in sub-Saharan Africa (SSA) takes place in the context of the EU-ACP relations. In the case of Economic Partnership Agreements (EPAs), the EU has been involved in trade negotiations with sub-regional African organizations representing for instance central Africa (Central African Economic and Monetary Community or CEMAC, plus DRC, Sao Tomé and Príncipe) and east and southern Africa (SADC). In 2002, the African Union (AU) became involved as a coordinating body for the sub-regions in Africa with regard to negotiations with the EU and, in this context, played an important role in the signing of EPAs both regionally and country-specific. Some years later, in 2008, the AU and the EU established a Strategic Partnership on Africa–EU Trade, Regional Integration and Infrastructure which led to the first Action Plan from 2008 to 2010. Further, the EU sought to deepen its trade relations by engaging in bilateral trade dialogue with single African states.

The EU's current position on trade policies and EPAs in Africa emerged in the light of the Cotonou negotiations at the end of the 1990s. The norms and principles underlying this position are consistent with neo-liberalisation as, during negotiations, the EU asserted its aim to build a new regime based on free trade and reciprocity in tariff removal. Liberalisation was presented as the only viable option for SSA countries given the WTO ruling against the EU which had challenged and defeated the non-reciprocal trade preferences established earlier at Lomé. It was claimed by EU negotiators that the Lomé preferential trade agreements had failed to address poverty prevalent in SSA countries and elsewhere (Sicurelli, 2010). Further global integration of the SSA countries through market liberalization would unlock economic growth in ACP countries (including within SSA) through heightened competition and comparative advantages, and thereby reduce poverty.

However, and despite the signing of EPAs with the EU by SSA and other developing nations, considerable concern has been raised by the developing world with regard the EPAs. The AU for instance has argued that EPAs may simply reproduce in new forms the marginal position of Africa in the global economy due to unfair trade rules based on the neo-liberal agenda emanating from the EU (AU, 2006). South Africa in particular has been resistant to signing a EPA with the union based on the view that Africa, being in a dependent and subordinate position globally, has little option but to capitulate to global forces and pressures

and that this simply means conforming to the problematic free market model of development (ANC, 2004) which may further undermine African economies.

Furthermore, the EU makes use of the Aid for Trade (AfT) initiative which was designed to assist developing countries in exporting to regional and international markets to generate revenues for sustainable development. The EU and its members are strongly committed to the AfT agenda, such that the union reached its set target for 2010 to increase trade-related assistance. These efforts go hand-in-hand with EU actions of improving market access to Europe for developing countries including the Everything but Arms (EbA) initiative which allows developing nations to export products except for arms to the EU without any tariffs or quotas (European Commission, 2010). This linkage between trade and development is consistent with broader neo-liberal restructuring driven by the EU and other hegemonic global forces.

According to Nugent (2006), the EU's active engagement in international development policy emanates from a mixture of historical, moral and economic motivations. In part, the EU countries have established development ties with parts of the developing world as a result of their colonial past. Further the EU, on the basis of moral reasoning, holds that action is required to address world poverty and hunger. Because of this, the EU provides food aid to countries with food shortages, and emergency aid is made available to countries stricken by unforeseen circumstances such as natural disasters. But there is also an economic rationale. Developing countries account for a noticeable percentage of EU exports and, at the same time, the EU is highly dependent on the developing world's raw materials or products such as rubber, copper and uranium. The altruism that the EU regularly portrays as the basis for development interventions in SSA therefore is subject to criticism, as economics often rules. The EU's willingness to allow developing countries to export products to the EU without paying tariffs and to enable the transfer of agricultural products from the developing world on a free duty basis must therefore be framed within an understanding of processes of economic integration and subordination.

According to the European Commission (2011), development is at the heart of the EU's external action, along with foreign, security and trade policies. In practical terms, the ultimate goal set by the EU is the eradication of poverty globally and the attainment of the Millennium Development Goals (MDGs) which it aspires to achieve through sustainable development methodologies. This overriding goal was recently reiterated on the 13th of October 2011 in a paper released by the European Commission, in which it sets out the EU's strategic approach to the union's ambition to reduce poverty, including by means of budget

support for developing nations and clearly-defined targeted allocations of funding (European Commission, 2011). The earlier European Consensus on Development is of critical significance in driving this process. It was signed on the 20th of December 2005 by EU member states, the European parliament and the European Commission, and in which they all agreed to a common EU vision of development (Europa, 2006).

The European Consensus on Development is a policy statement that reflects the EU's willingness to eradicate poverty and build a more stable and equitable world. The consensus identifies shared values, goals, principles and commitments that the EC and EU members will implement in their development policies. The focus is on the MDGs and sustainable development, but again the emphasis is on democratic values as defined and propagated by the EU in relation to human rights, rule of law, good governance, gender equality and social justice. At least officially, such development and aid initiatives are meant to align with the national development strategies and programmes of recipient countries, based on the argument that developing countries are responsible in the main for their own development (Europa, 2005).

In the year 2000, the EU joined the United Nations Millennium Summit with the aim of eradicating global poverty. At this summit, leaders from 189 nations committed to a new global partnership focusing on meeting the eight MDGs by 2015. At a UN Summit in 2010, which had the objective of reviewing and assessing achievement towards the MDGs, the union published a brochure on the EU's contribution to the MDGs which outlines the different ways in which the Commission has helped developing nations in pursuing the MDGs (Joint Africa EU Strategy Action Plan 2011-2013). In this brochure, the EU highlighted the fact that the EU provides more than one-half of total aid flows to developing countries. For the year 2009, this translated into US\$119.6 billion, an increase from \$80 billion in 2004. Additionally, the EU reported humanitarian assistance and emergency aid in response to disasters or conflicts with a particular focus on food security – with the annual figure for this amounting to just under one billion US dollars. It notes that, between 2002 and 2009, 24 million people living in extreme poverty benefited from direct cash transfers and food. The EU emphasised its global contribution to programmes focusing on sustainable development, including infrastructure, energy and health. However, the EU admitted that far more needs to be done, such as in relation to large-scale energy infrastructure and more dynamic economic sectors in Africa (European Commission, 2010). It also stressed the need for greater policy coherence across economic sectors within developing nations.

As Hamilton (2011, xii -xv) notes: “Development aid is a strong link binding the EU to Africa. The European Commission disbursed \$14.7 billion in grants in 2008, and individual EU member states contributed additional funds, making the EU the largest provider of aid to Africa”. Overall, by 2010, the EU had increased its official development assistance to 0.56% of its gross national income in an attempt to achieve the UN target of 0.7% by 2015. In doing so, the EU has targeted Africa by ensuring that half of the additional aid goes to African nations, particularly those nations said to have fragile states with low numbers of donors. In providing aid, the union – as a bloc donor – actively promotes aid effectiveness through harmonising approaches with member states of the union, as well as internationally through participation in the Organisation for Economic Cooperation. In this respect, in 2009, the union set out 21 measures to be implemented ahead of the International High Level Forum on Aid Effectiveness in Seoul in 2011. Of particular significance for the thesis, given the focus on national budgetary systems, is the stress on channelling and integrating aid funding into the existing financial and logistical systems of beneficiary countries (European Commission, 2010).

The drive for liberalisation by the EU and its members is in fact very clear in its international development policy. The EU has established general principles underpinning its development policy. These principles highlight that sustainable economic and social development for developing countries – including poverty reduction – requires the smooth, gradual and unhindered integration of the developing countries into the world economy. Associated with this, and indeed fundamental to it, is the objective of democratic transition and consolidation (or good governance) where necessary in developing nations, including facilitating the rule of law and the respect of human rights and fundamental freedoms. This entails mainstream neo-liberal programming which, if the results of earlier structural adjustment programmes are anything to go by, may lead to the ongoing subordination of SSA countries vis-à-vis global forces.

In this context, I conclude the chapter by looking at the EU’s relationship with the ACP nations with a particular focus on Africa, and at the EU and its stress on budget support.

4.4 The EU, ACP and Africa

The relationship between the EU and Africa in relation to trade, development and aid arose in the context of Africa’s involvement in the ACP grouping. In June 1975, ACP nations made up of former colonies of European states entered into an agreement to formally establish the ACP Group of States. The so-called Georgetown Agreement established the ACP as a legal

entity with the “capacity to contract, acquire and dispose of movable and immovable property and to institute legal proceedings” (Nsongurua, 2004:63). There are 48 states from Africa and 29 states from the Caribbean and Pacific regions in the ACP bloc, all with the objective to “push back the frontiers of poverty and to create the conditions for real economic development (Nsongurua, 2004).

The ACP as a regional entity has been involved in a series of trade and aid agreements with countries of the EU. The Lome Conventions provide a legal framework for the ACP-EU partnership. These conventions involve international aid and trade agreements aimed at supporting the efforts of the ACP states to achieve comprehensive, self-reliant and sustained development. The first Convention (Lome I) was signed in 1975, and Lome II and III were signed in 1979 and 1984 respectively. Lome IV covers the period from 1989 to 2000 and, at the time, was the most extensive development co-operation agreement between Northern and Southern countries. Following these series of agreements, the Cotonou Agreement became the accord of reference for development partnerships between Africa (and ACP broadly) and Europe.

This Agreement between the ACP and the EU states was signed on the 23rd of June 2000 in Cotonou, Bénin. It entered into force in April 2003 and was to last for a period of twenty years (to February 2020). It has been revised on a number of occasions subsequently. The Cotonou Agreement as a global agreement seeks to preserve the existing relations between the EU and ACP while also enhancing them with regard to development, economic and trade cooperation. The Agreement is undoubtedly the most inclusive partnership agreement between the developing countries and the EU. Since the initial agreement in 2000, it has been the framework of partnership for the EU and more than 70 countries from Africa, the Caribbean and the Pacific.

In March 2010, the European Commission and the African-Caribbean-Pacific group adopted the second version of the Cotonou Partnership Agreement in seeking to overcome nagging development challenges in the ACP regions. In the 2010 version of the agreement, the challenges and responses highlighted include: (i) the importance of regional integration in ACP countries and in ACP-EU cooperation; (ii) the need to place emphasis on secure and healthy environments to foster development, (iii) reiterating the significance of meeting the Millennium Development Goals; (iv) the value of economic partnership agreements in boosting economic development and integration into the world economy; (v) seeking to promote a broad and inclusive partnership with ACP partners; and (vi) putting into practice

internationally agreed upon aid effectiveness principles especially with regard to donor coordination (European Union, 2010).

The European Development Fund (EDF) is the main assistance channel for development cooperation under the Cotonou Agreement (Abbas and Niyiragira, 2009). The current implementation of the Cotonou Agreement is based on the time period of the 10th EDF (from 2008 to 2013) and it involves an allocation of 22.7 billion Euros. In comparison, the 9th EDF was from 2000 to 2007 and entailed 13.8 billion Euros; the 10th EDF thus represents a 65% increment. The ACP group of states, in working with the EU (including in relation to the EDF) functions as a unit and has its own joint institutions and decision-making processes in seeking to implement the principles and programmes embodied in the Cotonou Agreement.

Ultimately the objective of the Cotonou Agreement is that of reducing and eventually eradicating poverty consistent with the objectives of sustainable development, as well as facilitating the gradual integration of the ACP countries into the world economy (Article 1 of the Cotonou Agreement). It seeks to ground this initiative in the notion of partnerships, including the equality of the partners, mutual obligations, and local ownership of national development strategies; and full participation of developing nation-states in processes of development cooperation entailing a pivotal role for open dialogue. This inclusive participation would also go beyond the national institutions of government in developing nations so as to incorporate sub-national state structures and non-state actors (the private sector, trade unions and civil society).

The specific relations between the EU and African countries are now based on two frameworks, namely, the Cotonou Agreement and the Joint EU-Africa Strategy (JAES). The JAES defines the long-term policy orientation between the EU and Africa, and is based on a shared vision and common principles as outlined in the 1st Action Plan of 2007. In the year 2000, the EU-Africa partnership was set up and it was described as a new dialogue with Africa to build a strategic partnership with the entire continent. According to the JAES (2007), the political framework which defines the relationship between the EU and Africa has as its main objectives the promotion of peace, security, democratic governance, human rights, basic freedoms and gender equality. Also, like the Cotonou Agreement, it stresses sustainable economic development (including industrialisation), people-centred development, regional and continental integration, and the fulfilment of the Millennium Development Goals by 2015.

Furthermore, it is argued that the JAES raises the Africa-EU relationship to a new level by moving beyond the focus of traditional development cooperation; in this regard, both partners agree to pursue common interests and strategic objectives. The pursuance of the JAES is manifested in specific working arrangements such as the establishment of the EU Delegation to the African Union in Addis Ababa, and the participation of actors such as the European and Pan-African parliaments in processes of cooperation (Europa, 2013). The JAES is implemented though on a day-to-day basis through Action Plans which have seemingly strengthened the intercontinental dialogue and led to concrete action in many key areas of concern.

The 3rd Africa-EU Summit, which took place on the 29th and 30th of November 2010 (in Tripoli, Libya), has played a significant role in shaping future relations between the two continents. At the summit, the following were adopted: the 3rd Africa-EU Summit declaration and the 2nd Action Plan (for 2011-2013). This latest plan builds on the experiences from the 1st Action Plan and the political and economic objectives of the JAES. This plan is structured around thematic areas including Peace and Security, Democratic Governance and Human Rights, Regional Economic Integration, Trade and Infrastructure, Migration and Mobility, Employment and Science, and Information Society and Space (Africa-EU Partnership, 2013).

It is clear that the JAES is not separable from the Cotonou Agreement. Rather, the former is an extension of the latter such that the Cotonou objectives can be met strategically through the JAES Action Plans. When it comes to the EU's relationship with specific African countries (or regions in Africa) and the building of strategic partnerships with these countries or regions, the EU makes use of Country and Regional Strategy Papers (CSP/RSP) developed in collaboration with the EU delegations in the countries or regions concerned. The CSP and RSP are the EU's primary consulting documents for the allocation and implementation of aid at the country and regional level (Europa, 2013).

4.5 The EU and Budget Support

Beyond broad development cooperation and aid relations with countries in Africa and the ACP broadly, the EU has a strong budget support focus. For instance, to ensure the success of the MDGs, the union launched MDG contracts to enable general budget support as a more predictable and pre-determined form of development assistance. These were launched in a number of countries at the start of the EDF1. Thus, the MDG contract is part of the commission's response to international development commitments by providing more reliable assistance to developing countries. The MDG contract entails a six-year commitment

of funds. This though involves a base component of at least 70 % of the total commitment which is subject to there being no breach in eligibility conditions for GBS, with such conditions related to the fundamentals of development cooperation. A variable performance-based component of about 30% also exists which relate to the fulfilment of MDGs.

In deciding on developing nations for budget support, the EU highlights the need for a commitment by recipient states to monitor and achieve the MDGs and to improve domestic accountability for budgetary resources on a transparent basis, as well as the existence of active donor coordination mechanisms to support performance review and dialogue. Also important for the EU are sectoral reforms and strategies in place, a reasonably stable macroeconomic framework, and well-defined and credible programmes to improve public management. In 2009, the Commission signed MDG-related contracts with seven countries in Africa, specifically Burkina Faso, Ghana, Mali, Mozambique, Rwanda, Uganda and Zambia (European Commission, 2012).

When the eligibility criteria and additional agreed conditions are met, then budget support is disbursed (European Commission, 2011). According to the European Commission (2011), compliance with the eligibility criteria and fulfilment of conditions during budget support is critical in order to help protect the use of EU resources and thereby minimise risk, as well as to create incentives for improved performance. Where the EC notices that progress is unlikely to take place, disbursements are withheld until credible reassurances or measures have been established (Europe Aid, 2012). In the implementation stage, the EC uses fixed trenches that are linked to progress in meeting agreed targets in specific goals such as health or education.

From the perspective of the EU (2012), budget support is a critical aid delivery instrument that is receiving increasing prominence in EU cooperation with development nations. The EU defines budget support in the following manner:

The transfer of financial resources of an external financing agency to the National Treasury of a partner country, following the respect by the latter of agreed conditions for payment. The financial resources thus received are part of the global resources of the partner country, and consequently used in accordance with the public financial management system of the partner country (European Commission, 2010:5).

Budget support, thus, as part of the financial mechanisms of the EU for aid and development, involves policy dialogue, financial transfers to the national treasury of the partner country, and performance assessment and capacity building, all based it is claimed on an authentic partnership and mutual accountability (European Commission, 2011).

The EU in fact claims that budget support is the most appropriate mechanism or modality when it comes to ensuring sustainable development objectives. This is because it fosters, from its perspective, partner countries' ownership of development policies and reforms in that the aid is credited and channelled directly to the recipient country's treasury (Europe Aid, 2012). In this light, over the period from 2003 to 2009, the European Commission made budget support commitments to a total of 13 billion Euros in ACP countries and elsewhere, which translates to about 25% of all aid commitments in this period (56% of the commitments were to ACP countries). With specific reference to general budget support, this gives a vivid picture of the financial clout the EU wields in relation to partnerships with multiple regions (European Commission, 2012).

Clearly, the EU has the capacity to bring about change in developing nations. In fact, it conceptualises budget support quite consciously as a "vector of change", that is, it can utilize budget support to not only finance change but also to incentivise change and thereby encourage further change. Such change may be in such fields as human rights and democratic values, financial management, macroeconomic stability, sector reform, service delivery and state-building. Ultimately, though, it claims that budget support will reduce dependency on aid by improving domestic revenue mobilisation. In doing so, the EU categorizes the types of budget support programmes it will fund, including Good Governance and Development Contracts, Sector Reform Contracts and State Building Contracts; which type is pursued and implemented is nation-specific (European Commission, 2011).

4.6 Conclusion

This chapter has scrutinised the European Union and its involvement in the international development system. Despite its self-image as a partner in development and as invariably bringing about socio-economic development in the ACP countries and African nations specifically, it is clear that the EU (as an important regional power on the global stage) seeks to project and protect its interests and that it does so through conditionalities attached to development aid. Clearly, the EU's development aid should not be understood as innocent; rather, it is highly-motivated in seeking to bring about economic and political change outside Europe which ultimately serves the interests of European nations. This is not to imply though some sort of conspiratorial theory but it does bring to the fore that the EU's representation of itself may be fundamentally different from its international development practices and the impacts of these practices on countries in Africa and elsewhere. More explicitly, these practices may simply reproduce relations of dependency between the EU and under-

developed nations and inhibit nation-state autonomy in the capitalist periphery. In this context, in the following chapter I look particularly at EU budget support to Mozambique.

Chapter Five

European Union and Mozambican Budget Support

5.1 Introduction

This is the core empirical chapter of the thesis. The previous chapters framed and set the scene for this chapter on EU budget support and the Mozambican state. In this chapter, I examine the intricacies of the relationship between the EU and Mozambique and seek, in so doing, to identify the tensions and ambiguities which exist in this relationship. There seems little doubt that there is a serious power differential between the EU and Mozambique (with the latter being dependent and subordinate), and certainly this is stressed in the chapter. But this is not the entire story. The Mozambique state, as told through the voices of state officials and other local actors, seems to be in two minds with respect to EU budget support. And, at times, there appears to be room for the Mozambican state to manoeuvre in pursuing socio-economic development. I explore this more nuanced account of the European Union and Mozambican budget support through a range of themes, including conditionalities, intra-state relations and the implementation and management of the budget process. Before this, I first briefly outline a political economy of Mozambique.

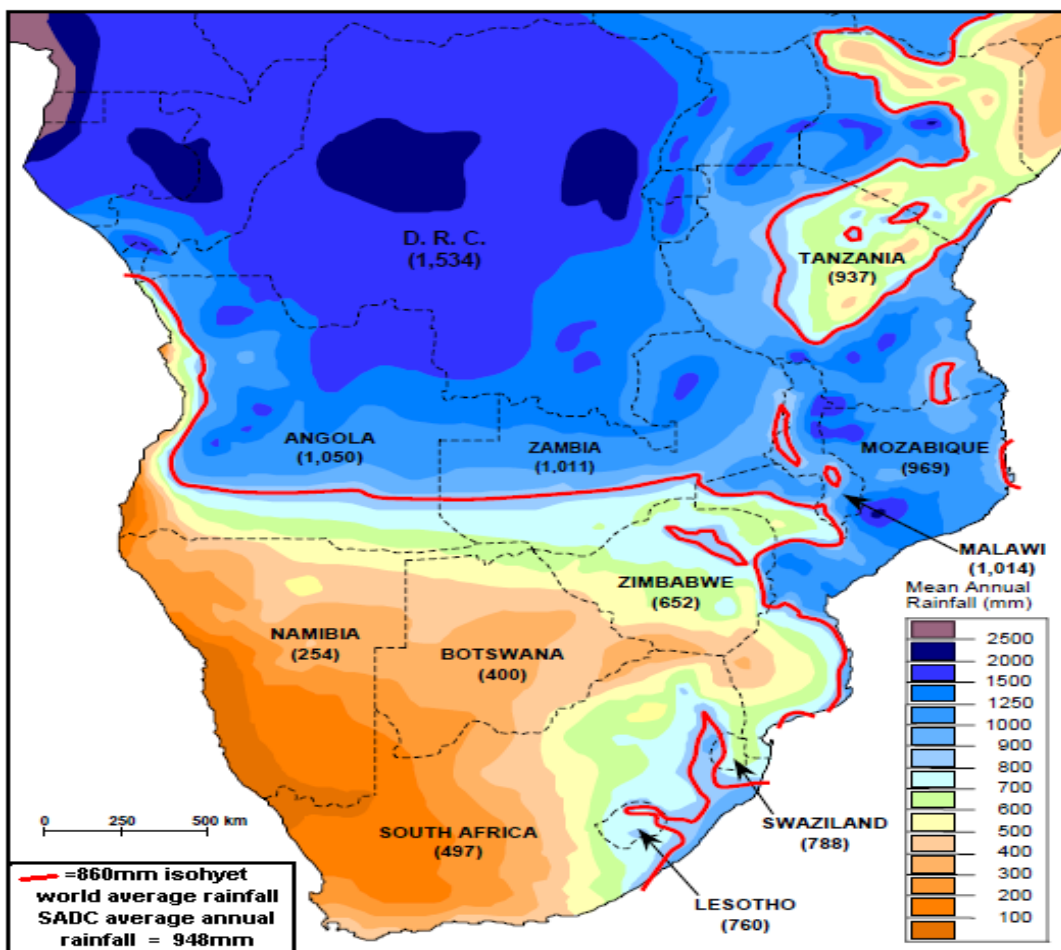
5.2 Background to Mozambique

This section provides a brief background to Mozambique, including its geographical location and socio-economic indicators, to provide the context for outlining the complexities of budgetary support by the European Union to Mozambique.

The Republic of Mozambique is situated on the southeast coast of Africa lying along the Mozambique Channel between South Africa and Tanzania. The coastline of the country is 2,470 kilometres long, while its inland borders with Tanzania, Malawi, Zambia, Swaziland, South Africa and Zimbabwe total 4,571 kilometres (see Map 5.1). In terms of landscape, Mozambique comprises of coastal lowlands, uplands in the centre of the country, high plateaus in the northwest and mountains in the west. The climate is tropical and subtropical with two main seasons: the rainy season from October to April and the dry season from May to September. In terms of rainfall, as shown in Map 5.1, large parts of Mozambique lay in the area where there is from 1,250 to 1,500 mm of annual rainfall. Generally speaking, weather and rain patterns allow for the existence of very favourable agricultural conditions especially

in the central and northern regions. In the southern regions, though there is significant amounts of arable land along rivers such as the Incomati and Limpopo, droughts and floods are common. As well, monsoons and cyclones, frequently coming from Madagascar, Mauritius and La Reunion Islands, make the coastal areas prone to constant natural disasters.

Map 5.1: Mozambique: Location and Rainfall



Source: SADC Secretariat Infrastructure Master Plan, 2012

Apart from the interior river basins like Lake Niassa, Ligonha River in Nampula Chire in Zambezia, and Revue in Manica, many rivers in Mozambique flow from neighbouring countries, such as the Zambezi River flowing from Zambia. The Cahora Bassa Hydropower Power Dam, which is located in Tete Province along the Zambezi River, was built to harness such water flows for purposes of energy generation and distribution. Through the Mozambique Channel significant numbers of freight-ships sail carrying billions of dollars worth of cargo. The ports of Mozambique are sites and pathways for exports and imports for the sub-region including landlocked countries such as Zimbabwe (Nuno Castel

Branco, 2011). Mozambique is endowed with internationally sought after natural resources such as coal, gold and liquefied gas.

Mozambique has a population of about twenty million people, with the majority of the population living in rural areas (68%) and only 32% in urban or semi-urban areas (INE, 2007). Macroeconomic indicators for Mozambique demonstrate high levels of poverty. For instance, the Gross Domestic Product (GDP) per capita in 2006 was only 349 USD (MPD, 2008). The population living below USD 1 per day in 2008 was 36.2% (UNDP & HDR 2007/08), though this represents an improvement compared to earlier in the decade (MPF, 2004). In this regard, the minimum monthly wage for unskilled workers in 2007 was 45 USD for the agricultural sector and 65 USD for all other sectors (Portal do Governo, 2007). The rate of unemployment in 2005 stood at 18% but was higher for women than for men (INE, 2006). Government expenditure on public services is exceedingly limited. For instance, health expenditure per capita in 2006 was a mere 0.0155 USD. Education is also problematic, such that the adult literacy rate in 2005 was 51.9% (UNICEF, 2006).

5.3 Development Aid to Mozambique

Mozambique has suffered acute poverty for numerous decades because of a toxic mix of colonial rule, civil war, misdirected socialist policies, structural adjustment programmes and broader processes of neo-liberal change. Indeed, the World Bank (Plank 1993) estimated that Mozambique was the poorest country in the world in 1990, such that the magnitude of development aid to Mozambique over an extended period should come as no surprise. Indeed, development aid has come to be seen as an inescapable need for the country in order to begin a stable journey on the road to socio-economic recovery. The sheer magnitude of aid is reflected in the value of overseas development assistance (ODA) compared to Mozambique's GDP. In 1988, for example, the amount of ODA allocated to Mozambique was equivalent to 81.2% of its GDP. Furthermore, historically, aid to Mozambique far exceeds the average for countries in sub-Saharan Africa as a whole (see Table 5.1), whether measured against GDP or calculated on a per capita basis.

Fast-forwarding to the present, ODA represents a much smaller share of Mozambique's GDP as compared to the 1980s and 1990s, yet the country is still much more dependent than other African countries. According to World Bank data, in 2011 for example the average ODA as a percentage of Gross National Income (GNI) was 3.9% in sub-Saharan Africa, while in Mozambique the ODA as a percentage of GNI was 16%, that is, four times greater than the average for sub-Saharan Africa.

Table 5.1: Aid to Mozambique (1987-91)**Foreign Assistance to Mozambique, 1987-91^a**

	1987	1988	1989	1990	1991
Net O.D.A. (U.S.\$ million)	651	893	772	946	920
As % of G.D.P.					
Mozambique	43.7	81.2	70.2	71.7	69.2
Sub-Saharan Africa	8.3	8.8	7.9	9.6	10.0
Per capita (U.S.\$)					
Mozambique	45	59	49	60	57
Sub-Saharan Africa	26	29	28	34	33

^a Sources: World Bank, *World Development Report, 1993* (Washington, DC, 1993), and Mozambique, 'Policy Framework Paper, 1992-94', Consultative Group, Paris, December 1992.

Mozambique though has made some progress towards achieving its Millennium Development Goals (MDGs), as set out in 'Agenda 2025'. For instance, according to the European Commission (European Commission, 2010), economic growth was 8% per year on average over the period of 1995-2005 which contributed to a decrease in the number of people living in absolute poverty. In order to facilitate the attainment of the MDGs, the European Commission and the Mozambican Government most recently signed a development cooperation agreement for the period of 2008-2013 (European Commission, 2011). This agreement is the latest in a series of European Union-Mozambique arrangements with respect to development aid broadly. In these agreements, the elected modality for aid delivery has evolved and changed over time, from initially project and programmatic support to budget support.

The significant dependence on foreign aid, with its implications for the national development trajectory in Mozambique, raises important questions about Mozambican state autonomy. Of course, this is part of the larger debate (discussed previously) within the scholarly literature about the causal relationship between international donor support to African nations and state sovereignty (or autonomy) in adopting national development paths. And this thesis seeks to address this with specific reference to the European Union and budgetary support to Mozambique.

Mozambique's exposure to Portuguese colonial rule, the initial adoption of a post-independence socialist ideology and a subsequent long civil war characterize the unique history of the country (Sheldon 1997). During colonial rule, the Portuguese sent the revenues obtained from the country to Lisbon and at independence in 1975 they destroyed all assets

they could not take with them. The economic problems faced by Frelimo (Mozambique's dominant political party) after independence were compounded by the adoption of a socialist development framework which grossly distorted prices and incentives (Plank 1993). In addition, during the 1980s the government engaged in a civil war with the armed rebels of Renamo supported by the apartheid government; this ended with a peace agreement in 1992. During the war years, the economy collapsed and rural production and the national transportation network were severely disrupted (Manning and Malbrough, 2010).

With an economy in tatters, the country signed a (post-socialist) Structural Adjustment Programme (SAP) in 1987 with the International Monetary Fund, and then implemented a range of reforms which fundamentally changed the government's macro-economic strategy. The SAP's market-led reforms heightened levels of regional inequality within the country (Silva 2007). Further, the government was unable to promote a strong national development project; instead, it implemented standard Washington Consensus policies proposed and enforced by donors. From here began an ever-deepening reliance on Western donors in terms of both multilateral and bilateral aid, with inward flows of capital making Mozambique (as indicated above) among the most aid-dependent countries in the world.

In surveying the situation in Mozambique in the mid-2000s, after twenty years of neo-liberal restructuring, Renzio and Hanlon (2006) argue that "continued aid dependence, and an increasing reliance on programmatic forms of donor support such as General Budget Support have further strengthened the key role that donors play in all stages of the policy process". In many ways, this is evident from the government's recent five year development plans and the country's Poverty Reduction Strategy Paper (PRSP), which are seemingly guided by donor strategies.

For post-independence Mozambique, international aid interventions began with reconstruction projects focusing on capital investment, infrastructure, poverty reduction and rural development, with the Mozambican state seeking to pursue a sovereign development route, at least vis-à-vis Western interests. However, as Arnold (1979) argues, aid is a "matter of hard-headed policy" ruled by "self-interest on the part of the donor nation governments". This became increasingly evident in later years. The SAP period involved a shift from project to programmatic aid and the rise in prominence of explicit conditionalities attached to aid. These conditionalities were in the form of macroeconomic liberalisation, and internal political, institutional and governance reforms (Sogge, 2002). Currently there exists the 'post-Washington Consensus' or 'partnership' period which involves the continuation of macro-

economic restructuring and constraints on Mozambique, and donor policy interventions stretching to political and social policies.

Aid and development relationships between donor countries and Mozambique are “enmeshed in foreign and domestic policy agendas on both sides” (Brown 2009:287), but certainly the external dimension, i.e. donor states, strongly conditions the relationship (Balefi 1996). Conditionality is particularly important in this regard, as these refer to “the promise or increase of aid in the case of compliance by a recipient with conditions set by a donor, or its withdrawal in the case of non-compliance” (Manning and Malbrough, 2010). This has been clearly expressed in the case of Mozambique, notably in terms of macro-economic policies (Dijkstra, 2002). And it forms part of a wider process of economic and political globalisation leading to what Goldblatt et al. (1997) call the “non-sovereignty syndrome” which has the effect of undercutting endogenous development trajectories throughout Africa.

The post-war circumstances coupled with the new global political dispensation in which the West claimed victory over the East, has meant that Mozambique has had limited option but to resort to development aid to rise from the abyss of indigence in which years of colonialism and civil war had placed it. In this process, the country has had to be content with the advice and instructions from both multilateral organisations such as the World Bank and IMF and large aid donors like the EU. It seems that the current post-Washington Consensus or partnership period (in terms of the discourse around it) has been and is the most favourable in terms of trying to chart an independent development path, and hence this thesis should provide a strong basis for examining the question of state autonomy in the context of development aid and budget support specifically.

5.4 Development Partnership between the EU and Mozambique

Mozambique’s post-independence relationship with European donors arose in the general context of assistance to African-Caribbean-Pacific (ACP) nations, dating back to the Lomé Convention in 1975. The Cotonou Agreement, discussed earlier, succeeded Lomé and espoused – amongst other things – the establishment of bilateral agreements (known as Economic Partnership Agreements or EPAs) between the European Union (EU) and individual ACP nations. From the viewpoint of the EU, global integration as articulated in Cotonou promotes poverty reduction and broad-based socio-economic development (Alfredo and Robles, 2008). Cotonou therefore had the intent of “reducing and eventually eradicating poverty consistent with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy” (Udombana, 2004). Cotonou’s fundamental

principles are based on the notion of a genuine partnership with local ownership of development strategies. Although the Agreement provides the legal basis for EC cooperation with ACP countries, the more recently adopted European Consensus on Development sets the general development policy framework for the EU, including in relation to Mozambique (CSP EC Mozambique, 2007).

The Country Strategy Paper for Mozambique (2008-2013) presents the current strategic framework for the co-operation of the EC with Mozambique under the 10th European Development Fund (EDF). Roughly half of the EC's committed resources are to be provided for general budget support to facilitate a pattern of public expenditure needed for Mozambique to ensure progress towards the MDGs. In this regard, it is important to highlight that more than 50% of the Mozambican government's national budget is externally financed, with the EU playing a significant role. Indeed, three Poverty Reduction Budget Support (PRBS) programmes have been implemented in Mozambique with EU involvement, namely, PRBS 1 (2001-2003), PRBS II (2002-2003) and PRBS III (2006-2007) (CSP EC Mozambique, 2007). Budget support to Mozambique has been concentrated in such sectors as transport infrastructure and food security. Within the domain of transport infrastructure, the support has focused on developing the national road network by financing road rehabilitation. In relation to enhancing food security, the primary thrust has been financial and economic reforms. In addition, support has involved water and sanitation, telecommunications, health infrastructure, energy, health, education and justice. The EC's total allocation for Mozambique under the 10th EDF (2008-2013) amounts to €634.1 million to address these priorities.

The EU's initiatives are clearly linked to the meeting of the MDGs, such that a specific MDG contract was signed in 2008 between the EU and Mozambique to further assist the country in meeting its MDGs. This contract is closely related to the 10th EDF and the disbursement of funds for general budget support and sectoral budget programmes. In this respect, and like EU contracts with other African nations, the disbursement of the EU's funds is based on an initial tranche of 70% of the total commitment (Walshe, 2012). The balance of the funds (30%) is conditional on an eligibility clause or performance component which implies that this balance may be withheld if Mozambique fails to meet certain targets. This performance component consists of two main elements. The first (amounting to 15%) is a MDG-based tranche which rewards attainment of MDG goals such as improvements in health and education. The second component (likewise 15%) is an annual performance tranche linked to the implementation of the Poverty Strategy Reduction Strategy. Thus, a significant

portion of the fund disbursement has been correlated to performance monitoring based on – amongst other things – macroeconomic stabilisation.

Furthermore, the Mozambican government and the EU signed another agreement in Maputo on March 2008 under which the EU would disburse €67.3 million to support the government's efforts to achieve the MDGs. This new funding makes Mozambique the largest beneficiary of the EU's MDG initiative, out of the 36 countries that are benefitting from it. A EU release said the agreement "is a positive sign of Mozambique-European Union cooperation". The money is in addition to the financial package from the 10th EDF. The EU representative said "the MDG initiative shows the determination of the EU to use its aid for the benefit of the poorest, and the continued leadership role of the EU in development aid".

Clearly, on this basis, budget support merits close study to understand its effects on Mozambican state autonomy and the state's development initiatives. In this regard, and to reiterate from an earlier discussion, the EC defines budget support as the transfer of financial resources from an external financing agency to the national treasury of a partner country. These financial resources form part of the partner country's global resources and are consequently used in accordance with the partner country's public financial management system (European Commission, 2011). This budget support mechanism entails that the recipient country (such as Mozambique) meets certain requirements under the eligibility section of the agreement. Therefore, like structural adjustment in the past, budget support is not a free gift but comes with certain conditionalities.

Such conditionalities impact significantly on the Mozambican government's five-year development plans, such as PARPA II for 2005 to 2009. The monitoring and evaluation of PARPA II involved a strategic matrix of 160 socio-economic indicators including those related to national poverty reduction and broad-based participatory development beyond the state by incorporating civil society (CSP EC Mozambique, 2007). In practice, though, there has been no significant engagement with civil society and hence downward accountability outside the state sphere has been negligible. Indeed, upward accountability has been pronounced such that the "the PARPA approach takes sovereignty away from the Frelimo government through pushing for externally defined development targets in contrast to what would have been 'home grown', broad based growth priorities for poverty alleviation" (Renzio and Hanlon (2006), as quoted in Buur and Baloi, 2009).

In this respect, the EU's partnership modality has been accused of expending significant amounts of extremely limited human and financial resources available to the Mozambique government on accounting to international donor agencies such as the EU at the

expense of the implementation of development programmes sensitive to the needs of Mozambique's citizenry. This problem may have become more pronounced in recent years. In this respect, there have been shifts in Mozambican state priorities over the years, moving between an emphasis on growth and an emphasis on redistribution, and often these changes have reflected the influence of donors. Thus, the development priorities in PARPA I (2001-2005) had a pronounced redistributive thrust in relation to the delivery of social services, whereas PARPA II had a strong emphasis on economic growth *per se* such as employment creation through productive sector investments (Buur and Baloi, 2009). Such a shift in government expenditure, from so-called unproductive to productive expenditure, is wholly consistent with the priorities which the EU has sought to instil in its development partners (Hanlon and Smart, 2008). This implies that the notion of partnership entailing equality between the EU and Mozambique is problematic and that partnership may simply be a discourse that masks ongoing global domination.

To round off this overall discussion of the EU's engagement with Mozambique, it is worth noting that in June 2009 an interim Economic Partnership Agreement (EPA) was signed between the EU and Mozambique (Europa, 2009). This further broadened relations between the EU and Mozambique with the agreement promoting trade liberalisation in terms of reduced quotas and duties in terms of both imports and exports. This has effectively liberalised about 80% of Mozambique's trade with the EU. Excluded from the liberalisation are agricultural products (including dairy products, meat and fish products and wood products) as well as some chemicals and minerals. The EPA arrangement, in conjunction with the MDG financial package focusing on budget support with eligibility clauses, constitutes an inducement for the government of Mozambique to further liberalise its economy and to integrate more fully into the global economy (particularly the European spatial economy). This seemingly shrinks the space (or reduces autonomy) for the Mozambican state in making unimpeded decisions on national development strategies.

5.5 Budget Support and Development Ownership in Mozambique

The OECD-DAC (2005) (in Clément and Peiris, 2008) defines ownership, in relation to national development, as involving "the right and responsibility of the partner country to establish its development agenda and set out its own strategies for poverty reduction and growth". The OECD (2011) further states that "ownership of development is about leadership at the political level, as well as the effective participation of a broader range of stakeholders". The Paris Declaration on Aid Effectiveness of 2005 set the stage for a preoccupation within

particularly policy circles about the improvement in modalities of aid disbursement and practice with the intent to enhance national development and local ownership of it. Various aid modalities have been compared against their potential to improve aid effectiveness for national development purposes. Thus, the Paris Declaration consists of a number of commitments and indicators that serve as aid effectiveness control mechanisms, and as the basis on which donor and recipient nations may measure and assess the progression or regression of their aid partnership.

Aid support such as project and sectoral (or programmatic) forms of aid disbursements have been seen as wanting in this regard, when compared to budget support. Certainly these forms have proven effective in specific ways. For instance, project support has the potential to deliver fast, measurable and more visible results that are easily monitored and with lower fiduciary risk. However, recipient control of donor expenditure is limited and this weakens local accountability channels, such that funds allocated and domestic revenue mobilisation levels become incompatible with respect to the recipient country's poverty reduction strategy. In contrast, budget support seemingly remedies this because funding takes place in and through the local national budget and this is said to enhance country ownership, donor coordination and aid effectiveness.

In the case of Mozambique, a donor coordination model involving direct budget support has been and is being pursued under the objective of promoting country ownership, and this derives from a development partnership model which is implemented through the Harmonization and Alignment (H & A) operational guidelines and indicators emerging from the Paris Declaration. In Mozambique, the budget support model of aid delivery comprises nineteen bilateral and multilateral donors (organized as the G19) of which the European Commission is of great significance along with the African Development Bank and the World Bank.

In the late 1990s, many of Mozambique's donors provided aid assistance by way of programmatic support and initially in the form of untied common funds for individual line ministries within the state where the funds were linked to sectoral strategy plans. While the use of sectoral common funds reduced the fragmentation caused by funding of particular projects linked to a particular line ministry, general budget support (GBS) now provides for a more coordinated and unified approach as funds are being channelled directly to the government of Mozambique using the government's allocation, procurement and auditing systems (Clément and Peiris, 2008).

Therefore, by 1999, there was a shift in the modality of aid to Mozambique, entailing the coordination and harmonization of donors in the disbursement of budget support. This was formalised originally in 2000 and was updated and replaced by a memorandum of understanding (MOU) in 2004 between Mozambique and the donors; this is referred to as Programme Aid Partners (PAP) geared towards the provision of direct budget support. The PAP group is a coordination scheme consisting of the nineteen donor partners: the African Development Bank (ADB), Belgium, Canada, Denmark, European Commission, Finland, France, Germany, Holland, Ireland, Italy, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, World Bank and Austria. The United States of America and United Nations recently joined as Associate Members in 2009 (PAP–PROGRAMME AID PARTNERSHIP, 2013).

In the agreement between government and the PAP, a declaration was drafted and signed in line with the commitment of both the PAP affiliates and the Mozambique government to the modality of budget support. To reiterate, this is conceptualised and articulated as a development partnership intended to maximise country ownership of development processes through increased donor harmonization and by enhancing local institutional capacities in planning, implementing, monitoring and evaluating the budget support modality. For example, the monitoring process is done through the government's planning and fiscal apparatuses (Sourcebook, 2013). In agreeing to this arrangement, the Mozambican state further committed itself to the reduction of absolute poverty as spelled out in the Poverty Reduction Strategy Paper (PRSP) while the donors committed to transparency, predictability, harmonization and the reduction of administrative burden for the Mozambican government.

However, as discussed earlier, budget support (and this includes PAP's budget support to Mozambique) is disbursed to the government on an ongoing basis only if the Mozambican government successfully complies with the performance matrix and if the principles agreed upon are not violated. The disbursements can be interrupted in the case of the government violating the following principles: peace; free and credible democratic political processes; independence of the judiciary, rule of law and human rights. All critical in this regard are probity in public life including fighting against corruption, striving towards the Millennium Development Goals, and a pattern of public expenditure consistent with PARPA priorities and sound macro-economic policies (PAP–PROGRAMME AID PARTNERSHIP, 2013). Equally, PAP donors are supposed to be assessed on the basis of their degree of

harmonization and their alignment with the Mozambican government's national processes, systems and procedures.

Mozambique is often seen as a success story in the implementation of the development partnership model. More specifically, it scores high against the Paris Declaration's indicators and criteria with respect to local development ownership and aid effectiveness. There is some reliable evidence which indicates that the government of Mozambique is in fact in agreement with the claim that it increasingly owns the national development process (OECD, 2004a, Batley, Bjornestad, and Cumbi, 2006, Clement and Peiris, 2008). And the prevalence of budget support is identified as specifically critical in facilitating this ownership and effectiveness. The country's satisfaction is also reported to be based on the apparent minimisation in the overall number of donor conditions and in the usefulness of donor conditionalities in implementing the government's PRSP (SPA, 2007).

However, it appears that national ownership is more complicated than this evidence suggests. Not all spheres of national government (or line ministries) or all levels (or tiers) of government are necessarily fully involved, or involved at all, in the budget support process, such that ownership may be top-heavy and not particularly inclusive. In addition, the supporting evidence does not speak to the involvement of civil society in Mozambique in budget support formulation, implementation and monitoring. This broader-based participatory process does not seem to be readily apparent in the case of Mozambique and, indeed, it may clash with a donor-driven development partnership.

Lieberson, Ray and Lunn (2004) conclude that donors hypothesise that budget support will increasingly force government ministries in Mozambique to work together to determine their sectoral or line priorities and thereby lobby for funding from the ministries of planning and finance, instead of competing for different funding streams directly from the donors. In the past, this competition did in fact take place. Each ministry dealt directly with donors and often entered into agreements with donors outside the government's national budget. Now, under general budget support, line ministries are obligated to forward (and argue for) their objectives and needs to the Ministry of Planning and Development and the Ministry of Finance. This is also meant to remedy a problem identified above, namely, to promote and build an arrangement that would facilitate stronger ownership among all ministries and not for example only the ministries of planning and finance (Lieberson, Ray and Lunn, 2004).

At the same time, there is evidence which indicates that the PAP group is moving towards the provision of more aid directly to ministry-based programmes. In this form, general budget support is provided in the following manner: the funds are paid into the

treasury but are specifically ear-marked for sector-wide approach programmes (SWAPs) in specific ministries. In the case of the education and health sectors, the funds are to be used to support basic education provision and primary health care work respectively, both of which are linked to the MDGs. These (and other) ministries are therefore now receiving funding support through the SWAPs as well as through general budget allocations via the national treasury (and through any project funding they may still receive, including from the EC). Observations of the preferred use by donors of aid modalities (in a study conducted in the mid-2000s) in Mozambique show results which are surprising given the wide praise of budget support. It seems that not all donors are convinced about the advantages of budget support and they continue to provide technical- and project-based assistance (Metheven, 2008).

There is, however, considerable fluctuation in the percentage of PAP funding provided to general budget support and sector-based programmes. This seems to reflect some tensions between the interests of the different line ministries and the finance ministry, as the Ministry of Finance is keen to increase general budget support while ministries (like health and education) prefer to have more control over their own line budgets and receive funds coming from the national treasury but ear-marked for their particular ministry by the donor (Metheven, 2008). Simultaneously, the ministries of finance and planning are not opposed to sector budget support if only because it ensures that expenditure will be targeted to key development areas. In any case, there appears to be a broad consensus within PAP and the Mozambican state to make use of a mixed portfolio of aid modalities, which of course raises also sorts of questions about harmonization. Since there is agreement that the vast bulk of funds should be coordinated and disbursed via the treasury then the harmonization issue may not be a crucial stumbling-block.

Amongst state officials in Mozambique, there are mixed feelings specifically about budget support, including amongst officials in the key state institutions coordinating (or working within) the national budget process. In speaking to the budget support modality, state officials sometimes refer to the history of its introduction into Mozambique in comparing it to other aid modalities deployed in the past.

For example, one of the interviewees provided a mini-historical background of budget support and the events which led to its adoption by the EU and the Mozambican state as an aid modality. He stated that:

In the past there was a tendency to think that the state alone was not sufficient in managing public issues and external bodies [or non-state bodies] needed to supplement

the state in managing the affairs of a nation. At this point the intervention of the state was negligible and various international associations [donors] strongly encouraged the intervention of civil society and of NGOs. This precipitated the ensuing of project aid where most of the time non-governmental organizations and civil society intervened in public management and in economic management. (Deputy Admin Director in the Historical Archives of Mozambique, February 2013)

This took place at the height of the neo-liberal critique of the state, particularly the nation-state in Africa (because of supposed democratic deficiencies and bureaucratic inefficiencies); but, since then, there has been a softening of the critical stance adopted by global donors towards nation-states. The same interviewee indeed notes the problematic character of this earlier avoidance of the state, such that “*as a result, financial assistance is now directed to the state*” through mainly budget support. The state is now recognised as part of the solution to un-development and it needs to be strengthened for purposes of tackling poverty and other social problems.

In fact, a focus on civil society in Mozambique as a complementary agent to the state (if not the preferred development agent) did not bring about the expected development outcomes. As an example, some civil society groups (or NGOs more specifically) focused on one development area (for instance health) at the expense of other crucial areas of development, thus creating an unbalanced, patchwork and uneven development landscape. While the intervention of civil society organisations had been deemed as a basis to foster state accountability and service delivery, these organisations were particularly vulnerable to pressures from the donor community. Their interventions also seemed to add to the fragility of the Mozambican state as decision-making in the pursuance of nation-wide development became extraneous to the state. The lesson learned was that it was necessary to have a strong state in terms of capacity.

This would not necessarily entail a strongly interventionist state (as was the case in the earlier socialist period of independence in Mozambique), but a state as a facilitator of development and specifically of market-led development under conditions of neo-liberal restructuring. In the words of the interviewee quoted above, “*the point was to have a state that was a friend with the market but not one that substituted the market*”. This of course indicates a strong shift away from the previous socialist thinking of Frelimo to a more neo-liberal macro-economic strategy but, like the socialism of the past, it does entail a significant role for the state and hence represents some level of continuity. Such a historical recollection of aid modalities (and the significance of the shift in modalities) does not imply though that

state officials find state-driven development in and through specifically donor budget support as unproblematic.

The point is that, from the perspective of state officials, weaknesses in modalities of development aid such as NGO-driven development (and even project aid which went exclusively through the Mozambican state) led international donors to move away – as a general trend – from project aid to programme aid and then to budget support aid. In this regard, state officials in Mozambique noted key advantages in this shift, and for both donors and the Mozambican state. In some cases, an advantage for donors was also an advantage for the state but, in other cases, it was not. And in other cases, it was a combination of both.

For instance, budget support was seen by state officials as leading to enhanced coordination between donors (now acting in unison) and the state in formulating and implementing national development objectives; as well, it facilitated monitoring and evaluation of funds dispersed and aid effectiveness. But this, at least in practice, went contrary to broader processes of participatory development. Officials spoke about the need for a strong civil society directly involved in national development objectives, as civil society groups at times are more responsive than the state to early warning signs with respect to development deficiencies and bottlenecks. As well, insofar as civil society organisations often focus on questions of bottom-up development processes, their exclusion from the state-donor interface may inhibit the monitoring of democratic deficiencies in the budget process and of aid effectiveness. In the end, though, state officials highlighted the fundamental importance of building national-state capacities as the crucial bedrock for pursuing national development plans and objectives.

5.6 Views from Mozambique

In this section, I examine EU budget support to the Mozambican state based on a number of fieldwork-based themes, all of which facilitate an examination of the linkages between EU budget support and Mozambican state autonomy. This entails addressing the views of Mozambican state officials (and other local players) and thereby obtaining a local and inside perspective which goes beyond what is regularly found in official documentation on EU budget support to Mozambique. It highlights the messiness and complexity of this supposed development partnership. I start off by speaking generally about the EU-Mozambican state interface, and then look at conditionalities and intra-state relations.

5.6.1 The EU-Mozambican State Interface

The budget support process is not a smooth-sailing process and certain tensions do arise between the EU and Mozambican state. This is despite the fact that the EU itself provides an almost romanticised view of the donor-state interface. In fact, it only speaks of advantages and claims that any weaknesses in the budget support system emanate from Mozambican state incapacity. But a Ministry of Planning and Development (MPD) official (interview April 2013) raised a number of problems with budget support. Some of these were:

- (i) Mozambique has its own development programme and development time-frames and the EU is not always sensitive to this. For example, funds are provided by the EU in the middle of the financial year after the fiscal year has started and this brings about programmatic complications. This creates management challenges related to rectifying and streamlining the budget because the state cannot wait for the EU or any other donor to begin its fiscal cycle.
- (ii) Mozambique is not incentivised to create other mechanisms to increase or top-up the state budget with other funding because the state knows that there is funding support emanating from current donors. The state therefore has insufficient motivation to generate additional, home-grown income to support the state budget, so “*we don’t organise ourselves so that it is us who creates the conditions to make a state budget that depends on us*” (ISRI, March 2013). In this sense, ongoing dependence on donor funding occurs.
- (iii) The donors, including the EU, provide budget support and then claim the right and responsibility for the execution of donor-funded state programmes. Thus, the EU “*always wants to control the execution of the budget*” (ISRI, March 2013). But this is seen as intrusive and undermines the sovereignty of the Mozambican state.
- (iv) There is constant talk amongst donors that they will stop providing aid directly to the state and will start providing it to the private sector because there is suspicion that the budget is being misused by the government. This talk causes unease amongst state officials as such a shift in funding would undermine the centrality of the state to national development.

There are indeed certain indications, particularly since 2012, that donors may threaten to stop budget support to Mozambique because some of the donor demands and conditionalities are not being met.

The budget support modality is not a linear process in which donors provide funds to the national budget and the Mozambican state funds development programmes as per donor

requests. The modality, at least in the case of Mozambique, is more complicated and contested than this because there is a cobweb of interests embedded in the modality.

At times, there has been a clash of interests between the state and the EU in terms of investing in a certain strategic area. A case in point is the doctor's strike in June 2013, during which medical personnel *en masse* laid down their tools and this disrupted the provision of even basic health care. In this particular case, the government did consider the possibility at least of redirecting state funds to increase the salaries of medical personnel in order to avert a highly problematic situation on the health front. But this course of action would need to be justified to donors. It was deemed by the government that the donors might label the government's decision to increase public sector salaries as mismanagement of the budget because such an increase would entail an unbudgeted line expenditure and would require diverting funds from other budget lines. In the end, the government decided not to increase salaries of medical personnel. Therefore, at one level, budget support – in minimising the prospects for flexibility in state expenditure – may lead to state unresponsiveness to the demands of its citizenry. This unresponsiveness occurs in order to prevent or ease donor-state tensions.

But, at another level, budget support as an aid modality provides an important source of order, stability and certainty and therefore leads to solid working relations between the EU and the Mozambican state. One interviewee from ISRI (March 2013) whose research focuses on Mozambique's economic interaction, highlighted this, and in different ways. He argued, firstly, that in terms of monitoring state expenditure, budget support facilitates the identification and understanding of the mechanisms underlying funding expenditure and the targets to be reached. Secondly, rather than funding being awkwardly dispersed amongst a range of different project-based initiatives, funding in and through budget support goes to key state recipients and this enhances tracking and transparency. A similar point was emphasised by another interviewee in criticising the programmatic aid modality. He indicated that “*when you finance some [sector-based] programmes it means that a specific ministry can have, for example, three programmes and you can decide to finance one of them, and the programme being financed is not always the most important*” (Debt Group, May 2013). In other words, sectoral aid in the past undercut the prospect of coordinating and prioritising budget lines and expenditure.

To illustrate this, he referred to the ministry of health; previously, some donors from the EU financed specific programmes more than others (such as HIV and AIDS with the

provision of antiretroviral drugs) and yet these were not a priority for the ministry. He argued:

People were dying of malaria and cholera because the government did not have the money and also because the money had been directed for HIV and AIDS, and the Ministry did not have power to refuse since HIV and AIDS was also a concern in the sector. Yet it is argued in the public domain that the budget support modality allowed the government and ministries to use the money as per their priorities. One may actually support this model because, at the moment the priorities for Mozambicans now is education, health and security. This is seen as positive because in comparison to the past when funding was different some ministries were favoured more than others and as a result had more money to finance their projects or programmes. But with budget support all ministries are treated the same. (Debt Group, May 2013)

Regardless of the Mozambican state's preferences and priorities, because the donors preferred to support HIV and AIDS, funding was directed to that chosen area in the health sector. At the same time, the budget support modality was advantageous in ensuring that all ministries received some kind of funding – though not always in their main areas of concern – and this inhibited anti-donor sentiment across state ministries and departments.

There was a tendency, during the fieldwork, for state officials to claim that direct budget support maximises centralised control in ensuring that national development programmes are pursued, especially those related to the fight against poverty. However, it was also stressed that the European Union's provision of budget support may be an instrument of power deployed by the EU (particularly given the significance of conditionalities in determining what the Mozambican state can and cannot do).

On the one hand, then, budget support provides needed financial resources which the Mozambican state is otherwise not able to generate for national budget purposes. There seems to be general, though not unqualified, agreement amongst Mozambican state officials that budget support provides the government with desperately-needed funding and therefore gives the state a level of financial autonomy in pursuing national development objectives, though these objectives are by no means solely determined by the Mozambican state. Still, because the funds enter the national treasury, the government can invest in priority areas with some leeway.

On the other hand, there is the view that budget support may compromise nation-state autonomy for Mozambique in a manner which undermines the prospects for pursuing a development trajectory (or particular development initiatives) which goes contrary to donor

approval. In this regard, there is also general consensus amongst state officials that the Mozambican government needs to constantly justify its spending to the EU and other donors. This translates at times into the government being coerced to invest in the pin-pointed areas demanded by the donors. The underlying issue is that this area of investment may not be a key priority of the Mozambican government at a given point.

Hence, the working relationship between the EU and the Mozambican state tends to involve a love-hate relationship (at least from the perspective of the state) based on a critical appraisal of the budget support modality. Just as conditionalities for state officials are a double-edged sword (see below), the overall interface between the EU and the state is marked at times by tensions if not conflict. State officials recognise the need to comply or bite the bullet so to speak in order to maximise any advantages which arise through budget support.

5.6.2 Budget Support Conditionalities

An important dimension of budget support relates to the question of conditionalities, considering the weight given to conditionalities by the EU in providing budget support on an ongoing basis. Conditionalities focusing on Mozambican state capacity are particularly crucial, as this capacity is seen as critical in pursuing national development and even for administering the budget process.

But one interviewee commented that the state is not well-equipped when it comes to the capacity to conform to the conditionalities attached to EU budget support. He said that the conditionalities propagated by the EU are extremely complex and are difficult to meet when implementing development programmes in practice. He argues therefore that “*due to this complexity a ministry that has to deal with such a system [of conditionalities] becomes weak, fragile and does not have the capacity to negotiate*” (ISRI, March 2013). In making such a claim, he was raising more serious doubts, in relation to state autonomy, about the mere existence of conditionalities, as he claimed that the EU dictated the development model to be adopted and thereby limited the possibilities for different development trajectories for Mozambique. An official of the Historical Archives of Mozambique, in this respect, argued:

The EU does not have a model one can conform to. In the past the logic was, we [the EU] give the resources to the recipient nation to first understand the idea... But now it is the opposite – first change ideas, then you get the resources. That is, if you do not understand the ideas, you do not get the resources. This logic penalises the states and brings in frustrations in the relations between the EU and the Mozambican state. (Deputy Admin Director at the Historical Archives of Mozambique, February 2013)

He is highlighting the complex process of state capacity, in that capacity is a pre-condition for budget support but simultaneously this support is meant to build state capacity. He argues that, though the Mozambican state has bought into the idea of restructuring the economy and polity, the building of capacity is trailing behind the capacity demands placed on the state by the EU.

With regard to the issue of conditionalities, officials argue that conditionalities are marked in the main by rigidity and inflexibility in that they were based on a top-down (or EU-driven) approach to development and were non-negotiable. This process is described as a take-it or leave-it scenario in which budget support may be denied if the recipient does not acquiesce. Hence, *“this may be observed in the negotiations that the EU is currently doing with individual [African] states and this is what precipitated African states to look for other international partners that do not impose such models”* (Deputy Admin Director at the Historical Archives of Mozambique, February 2013). However this search for new partners is perceived by the EU, officials argue, as an attempt to avoid the necessity of good governance by the Mozambican state. As the same interviewee said, as if speaking for the EU: *“If you [Mozambique] are running away from me [the EU], it is because you want to be corrupt, dictator, crony, despot, etc. This humiliates the nation”* (Deputy Admin Director at the Historical Archives of Mozambique, February 2013). As such, the search for different sources of aid and partnership donors is portrayed in a negative light notwithstanding the fact that this search is a response to stringent conditionalities placed on a formally sovereign nation like Mozambique.

That being said, not all state officials argue that conditionalities in themselves are necessarily the problem, particularly given that conditionalities are part of a broader package of development aid which has the potential of spurring national development in Mozambique. These officials claim that foreign aid with conditionalities, if managed properly by the recipient state, may accelerate development; and hence conditionalities do not in principle undermine development initiatives or even national sovereignty. Thus it is not conditionalities *per se* which are problematic; rather, the challenge lies in the recipient nation’s incapacity to restructure itself in a manner consistent with the conditionalities. In other words, currently the process is fraught with difficulties and it still needs to be fine-tuned to maximise the potential of budget support and advantages arising from it (Deputy Admin Director at the Historical Archives of Mozambique, February 2013; ISRI, March 2013).

In this respect, state officials note that budget support is based on compliance to international agreements on development and aid, and that the budget programme is also

related to the 1980s debt crisis in Mozambique. During the debt crisis, the economy was practically crippled and the availability of domestic resources was limited. Thus, Mozambique agreed to a global debt initiative for indebted developing countries which was an effort to bring the level of debt under control. The budget support programme began in this context and hence, from this perspective, it has made a positive contribution to revitalising the Mozambican economy. Mozambique initially agreed with its budget support donors that the state would make reforms to the national economy (specifically on the public finance system and on public service delivery) based on conditionalities and thus conditionalities should not be balked at as they are part and parcel of the necessary recovery package.

Conditionalities have become embedded in a series of memorandums of understanding between the Mozambican state and the EU. Since early 2000, there have been two memorandums of understanding (with the second one currently in force) and a third memorandum will soon be signed and implemented. In supporting conditionalities, one interviewee argued that *“these memorandums of understandings have the fundamental principles and compliance to these principles is critical if we are to continue to receive budget support”* (Ministry of Planning and Development, April 2013). Adherence to these principles therefore should not be taken lightly by the Mozambican state. In addition, these memorandums of understanding are a product of political dialogue and negotiation at the ministerial level, and the partners (EU and Mozambique) meet four times annually to identify and overcome problems pertaining for instance to conditionalities.

Mozambique was one of the first countries to pursue the budget support aid modality, starting in 2000 with only six donors and now reaching the current nineteen. Besides the memorandums mentioned, Poverty Reduction Strategy Papers (PRSP) are also critical when it comes to setting and pursuing the accepted principles, conditionalities and criteria for budget support. An interviewee from the Ministry of Planning and Development (MPD) indicated that the PRSPs stem from the debt reduction strategy for the Highly Indebted Poor Countries initiative. This initiative in fact paved the way for the PRSPs which also fed into the budget support programme. Countries that are eligible under this initiative must adhere to democratic principles. In this light, the interviewee stated that

Although they say this is just a formal process, the process is exactly to make sure that the governments are legitimate so that they can actually get this budget support; if donors believe the governments are not legitimately elected there will be no budget

support... so democratic reforms are actually in the heart of budget support. (Ministry of Planning and Development, April 2013)

Insofar as budget support is of some significance to Mozambique development and for tackling pervasive poverty, again the view expressed here is that conditionalities (including those focusing on democratic reforms) play a key role in facilitating the development process, despite problems which arise in trying to abide by them.

Another interviewee from the same ministry (MPD, April 2013) spoke at length about the relationship between budget support and conditionalities and, in doing so, effectively argued that budget support – compared to other aid modalities – is the best available option. As a background to the current setup, he noted that in the past the EU did not finance the treasury of the Mozambique state directly but channelled funds to a specific programme and/or specific sector. The government however contested this (and did so successfully), claiming that if the Mozambican state was to set the priorities for national development then any funds should be channelled directly to the national treasury. This offered certain advantages, as articulated by the interviewee:

- (i) It enabled the state to foster development in its own priority areas because the national budget is controlled locally;
- (ii) It allowed the government to have a better sense of the funds available because the funds were centrally channelled. In the past, with donors channelling funds to different sectors independently of the central treasury, this was not the case; and
- (iii) It disciplines the donors. In the past, donors were uncoordinated in their donor funding, because a diverse set of donors funded whatever sector they prioritised and they would willy-nilly (so the argument goes) withhold funding based on their own set of unique conditionalities. Budget support, specifically as channelled through the central treasury, inhibits such donor unevenness and thus allows for greater funding certainty for the Mozambican government.

Hence, in the case of different forms of aid modalities, it is not a matter of making choices between one modality without conditionalities over one with conditionalities. All aid modalities entail conditionalities but, according to the MPD official, national budget support with conditionalities are the most advantageous as it maximises state ownership and efficiencies and facilitates coordinated national development initiatives.

In the end, conditionality (as the bedrock for budget support) has, from the viewpoint of state officials, both positive and negative spin-offs. It limits the potential for abuse of national budget funds as it creates a strong element of control and responsibility, but it also

inhibits the scope of action and room for manoeuvre by the Mozambican state, particularly in the case of unexpected demands placed on the state by its citizenry. In other words, conditionalities are often seen as necessary to prevent the state from spending funds inappropriately and are of some benefit in ensuring that development funds are not wasted. At the same time, the significance of conditionalities are contested, with some officials arguing that they bring a measure of imposed discipline on the Mozambican state and limit the scope of state decision-making. Thus, conditionalities become a double-edged sword for the state.

5.6.3 *Intra-State Relations*

Of significance in examining development ownership and state autonomy is the question of relations internal to the Mozambican state and the possibility that, insofar as any meaningful local ownership does exist, it is centralised or concentrated within a particular state sphere or tier. In providing aid for budget support, donors (including the EU) direct funding to the ministry of finance which is responsible for handling and managing the budget. In this respect, though the main focus of the thesis is on the autonomy and sovereignty of the Mozambican state (the participants in the fieldwork used the two terms interchangeably), the state is not a homogenous and undifferentiated entity and can often be a site of tension, conflict and struggle. For instance, it may be that a range of state ministries are excluded from the budget support process or, alternatively, they may be included in some degree or form. Their extent and character of their role in the process is of significance in identifying the local rootedness of the budget process in Mozambican soil.

One interviewee (CEEI, September 2012) commented that, with budget support going to the national treasury (handled by the ministry of finance) rather than directly to the various ministries, the ministries find it hard to access funds because of the donors' stringent ex-ante verification. At the same time, when ministries received funding directly from donors, as in the past, some ministries were favoured more than others (as noted earlier). So, though difficulties in accessing funds exist under the current budget support mechanism, there may be greater equity in terms of accessing funds across ministries.

Budget support is in fact a modality that attempts to give some degree of autonomy at the ministry level. In this regard, it may increase the specific autonomy and power of the planning ministry of the state (the MPD in the case of Mozambique), as this ministry along with ministry of finance are more actively engaged in the allocation of funds. In this light, an interviewee highlighted that

We have coordination ministries like the ministry of planning, the ministry of finance, the ministry of foreign affairs and also the Bank of Mozambique. The budget support modality has significantly increased their liberty in decision-making and planning...

Today we have some leverage to manage and to lead the process (MPD, April 2013).

The budget support modality may have in fact not only increased the capacity of the ministries of finance and planning but also empowered them vis-à-vis other state ministries and departments. In other words, ‘managing’ and ‘leading’ the development process may be true – at least in part – in relation to these ministries, but this may be at the expense of incorporating and empowering other ministries and departments.

It is thus important to note, as interviewees did, that not all sectors are fully integrated into general budget support. Some sectors such as health, education, transport, fisheries and agriculture continue to receive sector-based donor funds directly (that is, SWAPs), in addition to general budget support. This sector-based support is seen as a critical aid modality for these ministries and departments because it allows for some degree of ministerial and departmental control and autonomy beyond the dictates of the national treasury. As well, it appears that apart from SWAPs and GBS, project aid as a modality still exists and again this allows for the asserting of ministerial or departmental interests outside general budget support. However, managing such a diverse range of funds and monitoring and auditing the mechanisms and outcomes is complex and costly compared to being funded only in and through general budget support. On this subject, one interviewee – in the context of discussing the PAP system – argued that “*sometimes when you have so many donors it’s not easy to manage all donors; sometimes it’s better to have one or two donors and have a big amount of funds rather than have 10 donors*” (MPD, April 2013). Once this realization was made, it was communicated to the donors that “*we don’t want more than four donors in one sector,... because sometimes you have situations where for example the health sectors have more than 20 donors, but if you look at the water sectors they don’t have any donor*” (MPD, April 2013).

Besides raising the challenges pertaining to managing diverse funds, this interviewee also highlights that aid modalities outside general budget support may lead to uneven funding across ministries. Again, to reiterate, budget support comes with seeming costs and benefits. It may lead to differential power within the state across ministries (or it may simply reproduce existing differentials) but it also ensures funding across ministries with – relatively speaking – minimal financial complexity in managing state funds.

5.6.4 Management and Implementation of Budget Support

The management and implementation of budget support is critical to questions pertaining to national development and ultimately to state autonomy. The implementation of budget support and the budget itself is linked to the Mozambican state's development plans. The five-year plan in Mozambique is a document that outlines the development visions and aspirations of the state.

However, it has to be transformed into actionable plans. In Mozambique this plan of action has evolved from PARPA I to PARPA II, and recently to PES (Socio-Economic Plan). Line items in these plans of action receive budgeted amounts. In this resource allocation process, the government through the ministries of planning and finance assess domestic revenues against expected expenditures. Domestic revenues for Mozambique fall significantly short of all desired and expected expenditure, and hence a budget deficit arises. In this context, external budget support becomes critical to make up the budgeted shortfall and this, of course, from the word go undercuts the autonomy of the Mozambican state vis-à-vis global donors.

The European Union (through the European Commission) is one of the development partners for Mozambique. These two partners (Mozambique and the EU) signed a Country Strategy Paper and National Indicative Programme (NIP) for 2008 to 2013. They agreed that "as regard the form of implementation, the Community (the EC) will give preference to budget support" (CSP EC Mozambique, 2007:7). By force of this provision, the funds provided to Mozambique are channelled to the national budget to be managed in line with set provisions. However, the actual allocation of the external donor funds (from the EU) by the Mozambican state is done with the assistance of the EU (and the G19 more broadly). As well, the nation state budget explicitly indicates the source of funds, either from the national (tax-based) revenue or from external sources. A close examination of the budget allocation for 2009 clearly shows the allocation of funds from the PAP vis-à-vis the intended strategic sectors (See Table 5.2).

The allocation of the external resources (foreign aid) for 2009 tells the tale of the focus of development partners in terms of sectors and hence the ways in which they expect to reap the benefits of their budget funding. Donors try to ensure that their funds are allocated to sectors that are strategic to achieve their own interests. But they tend to focus on a diverse range of sectors in a benign fashion to escape any criticism that they are marginalising specific sectors. In this process, and in the light of conditions in cooperation arrangements,

donors have the opportunity, responsibility and right to embed their technical staff in state ministries (including planning and finance) in working on the budget.

In the 2009 budget, it is noticeable that ICT plays a strategic role for the donors because it allows for enhancing capacity in the processing of development-related data and provides donors with access to this data for purposes of monitoring and evaluation. This is linked to the budget item for the MPD, which is the key interlocutor with the aid partners. Significant attention is also given to Parliament and building the institutions linked to parliament, and this ties in with the good governance agenda of the donors. Funding of the Accounts Court is linked to this, for this is where *ex ante* and *ex post* verification of state expenditure takes place. The Ministry of Public Service receives external funding as donors are interested in addresses the twin challenges of corruption and lack of transparency in the public sector.

Of course, in giving these examples, I am not implying some sort of conspiracy argument such that the external funding provided by the EU can be neatly and tidily reduced in linear fashion to the interests of the EU in some devious fashion. Building state capacity, as these funding streams do, would be an important building-block for Mozambique in seeking to pursue a less donor-dependent national development path. In fact, the budget items listed in Table 5.2 would also likely appear in any typical national budget, even for the EU nations themselves. But, in selecting certain budget items, it is important to recognise that the EU and other donors are not blindly selecting budget items from a hat; there is some rationale in doing so and these rationales may not always tally with the immediate or long-term interests of the citizens of Mozambique. Thus, financial reform institutions (including the Revenue Authority) are allocated external funding and these are seemingly favourable to Mozambique – for instance, they could contribute to building the self-financing capability of the country. But some budget items seem to address structural constraints along international commodity chains which serve and service the donors' market, and hence appear designed to maximise global trade flows and mobility to the disadvantage of the Mozambican economy.

Table 5.2: Mozambique Investment Expenditure based on Classification and Origin of Funds, 2009

INSTITUTION	BUDGET
Media and Communication Council	31,880.34
ICT Technical Implementation Unit	169,681.67
Labour Consultative Commission	44,340.87
Parliament	1,833,460.00
Accounts Court (Administrative Court)	101,616.00
Ministry of Home Affairs	3,819.95
Ministry of Justice	56,025.87
Ministry of Public Service	252,463.24
Ministry of State Administration	446,113.77
Mini. Development Planning	683,003.43
Institute for Statistics	174,916.20
Millennium Challenge Account (a USA Coy)	1,249,964.90
Treasury Directorate	83,907.05
Technical Unit for Public Service Reform	177,501.65
Revenue Authority	291,051.54
Ministry of Labour	189.00
Instit. for Employment and Technical Training	33,473.49
Minist. of Environment	18,000.00
Ministry Agriculture	607,309.19
Institute for Cotton	15,390.95
Institute for the Promotion of Cashew nut	14,268.20
Agriculture Research Institute	138,401.67
Institute for Training of Land Admin	8,056.93
Institute for Cartography and Teleprocessing	10,678.92

Fund for the Promotion of Fishery	828,815.94
Ministry of Energy	464,972.01
Trade and Industry Ministry	444,445.40
Ministry of Tourism	330,845.08
Ministry of Transp & Comms	1,319,154.30
Meteorology Institute	19,924.72
Marine Institute	31,695.87
Ministry of Public Works and Housing	2,778,669.90
Fund for Road Network	4,523,631.40
Ministry of Education and Culture	5,053,092.90
Eduardo Mondlane University	546,515.29
Ministry of Health	5,599,201.80
National Council for HIV/AIDS	523,950.02

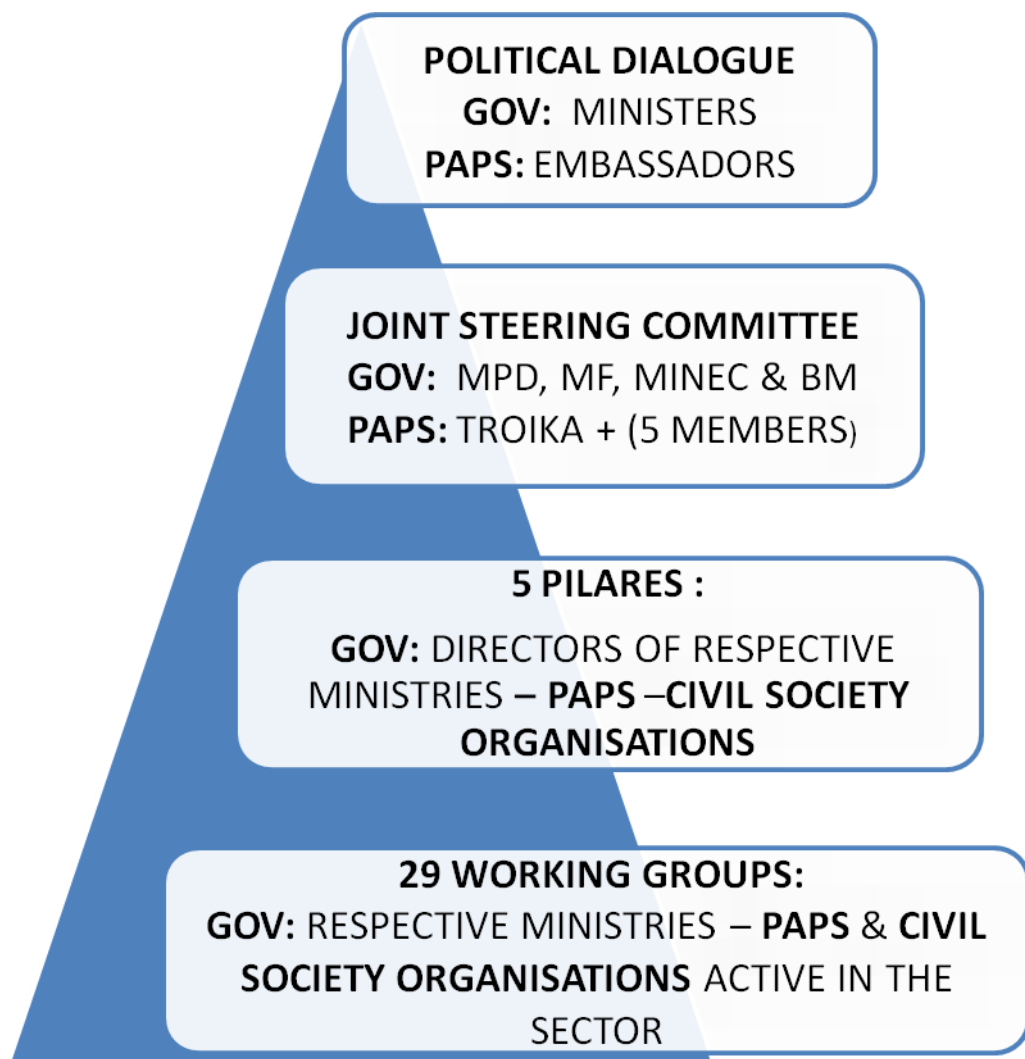
Source: Compiled by the author from OGE 2009: Investment Expenditure according to the Organic Classification and Origin of Funds (Ministry of Finance – SISTAFE).

With regard to the actual mechanics of budget operation and disbursement, the process includes the identification of key moments with a view to reducing or minimising transaction costs. First, in April or May of each year, an annual review is held to assess the performance of the two partners (i.e. the Mozambican government and PAPs) in the previous year, based on the targets established as per their respective Performance Assessment Frameworks (PAF). The results of the annual review are then published in the *Aide Mémore*, which also sets out the main conclusions and recommendations of the process. In this context, the PAP indicates their financial commitments for the coming year in terms of both general budget support and sector-based budget support. The targets of both partners (government and PAPs) are updated annually in September during planning meetings. The MPD coordinates these processes and elaborates the terms of reference and *Aide Memoire* for each review meeting. Diagram 5.1 depicts the structure underpinning the processes.

In addition, the dialogue mechanism consists of high level political dialogues held four times a year (two formal and two informal meetings) between Mozambican ministers

and ambassadors from donor nations. A further dialogue mechanism between the Mozambican state and PAP is known as the Joint Steering Committee (JSC). The MPD chairs the JSC and the ministers of Finance (MF) and Foreign Affairs and Cooperation (MINEC) are permanent members. Other ministries or government institutions are invited on an *ad hoc* base, depending on the issues on the agenda. The G19 is represented by the head of cooperation of their Troika.

Diagram 5.1: Budget Formulation and Management Structure



In 2009, the government of Mozambique signed a Memorandum of Agreement (MoU) with its development partners including the EC. The MoU outlines the terms and conditions under which the parties would jointly manage the general state budget. According to the agreed-upon rules and principles, the parties are expected to abide by the terms and conditions. In this respect, the PAP are expected to provide support to the budget that

- (i) Is aligned with Mozambican instruments, processes and systems of financial management, including the Government cycle for planning, implementation, monitoring and funding, and uses government processes and documentation, in particular, the systems and processes used by the GoM [Government of Mozambique] to plan and execute;
- (ii) Increases the predictability of the flow of donor funds, including:
 - making multi-year agreements on Budget Support;
 - providing the GoM with Information on Budget Support commitments in time for the information to be used in annual and medium-term policy and budget planning;
 - linking response mechanisms to agreed, realistic targets and indicators – and inform the GoM in line with the timings provided;
 - disbursing according to the agreed disbursement schedule; and
 - not interrupting in-year disbursement, unless there is a violation of underlying principles stated in section 2 of the MoU such as inter alia ; safeguarding peace and promoting free credible and democratic political processes, independence of the judiciary, rule of law, respect for human rights, good governance and probity in public life...and prioritizing fighting poverty.
- (iii) Provides timely information on the PAPs' annual and mid-term financing commitments to the GoM;
- (iv) Ensures transparency of conditions and funding;
- (v) Lessens the administrative burden of their assistance on the GoM by utilizing mechanism of delegated cooperation, increasingly mounting joint missions, undertaking joint analysis, and using joint procedures and by reducing the number of meetings, visits, missions and overlapping activities.
- (vi) Enhance the capacity of the GoM to meet its commitments, by supporting the implementation of appropriate capacity building, in a harmonized way.

These arrangements are supposed to, amongst other things, ensure that: there is a significant degree of predictability for the Mozambican state in terms of donor funding; the Mozambican state acquires the capacity to implement the budget process; and strong mechanisms for monitoring and evaluating donor effectiveness are put in place. In practical terms, at policy level, the Mozambican government interacts with the EC through the ministers of Planning and Finance, whereas at technical level the EC has its experts inserted into the Planning and Treasury Departments. Interestingly, in a study commissioned by DFID in 2004, the authors of the study acknowledged the information provided by among others Dr Bruce Byres and Sam Jones. These are not Mozambicans but partner agents inside the National Directorate for Planning and Budget. Their official role of such foreign experts is to assist in tracking budget performance, intra-budget sectoral allocation and to prepare mid-term budget reviews.

The process of budget implementation includes the disbursement of funds. This process comprises an official request from the government of Mozambique through the Ministry of Finance, which submits a request through the Ministry of Foreign Affairs (with a copy sent to the Mozambican central bank). In the next step, the donor partner replies to the

Ministry of Foreign Affairs (again, with a copy to the central bank of Mozambique) which then informs the Ministry of Finance of the donor's response. The funds forthcoming are then converted into local currency and incorporated into the state budget. On this basis, the government of Mozambique prepares its national budget, which is aligned to the prevailing development plan, for submission to the national parliament for ratification.

The institutions and structures involved in the disbursement process are also part of budget support management and monitoring the implementation of the budget. On the Mozambique side, the ministries of foreign affairs, finance and planning (along with the central bank) are directly responsible for monitoring budget performance; while, on the partner side, in this particular case, the EU through the EC in Mozambique (specifically, the EU delegation in Mozambique) are part of monitoring budget performance.

In the case of Mozambique, the partnership in the budget support modality of aid delivery is supposed to leave leeway for the Mozambican state to engage with national development. The management mechanism in this regard tends to be a bi-cephalous (or two-headed) governing structure – the Mozambican state and the EU (and other donors). One head, namely the donors, though seems to be dominant. For instance, despite Mozambican state involvement in budget support at different stages of the process, at no stage is it possible for the state to make unilateral decisions – even in relation to reallocation of funds between budget lines, insofar as the funds are external funds. And even in the case of the other head, the Mozambican state, it is clear that power is centralised in two or three ministries with other state ministries seemingly sidelined.

It is indicated in many official documents and policy papers that the budget support modality assists the Ministry of Finance in monitoring overall budget performance instead of line ministries which would mean fragmentation. It also permits the oversight institution, namely parliament, to have clear channels of control. However favourable this might seem, the state autonomy becomes problematic as the process ties the hand of the government of Mozambique. Strategically, the donors determine what the development priorities should be; and the state is merely involved in managing the process. For instance, the state cannot focus on certain sectors to the extent that it might otherwise do, such as defence. More significantly, external budget support tends to privilege economic growth at the expense of redistribution based on the trickle-down theory of development. The budget support modality for development does allow for state involvement in managing and coordinating the use of resources and for assessing budget performance in terms of budget implementation. But, alone, this does not provide a strong basis for state autonomy vis-à-vis development

initiatives considering the various ways in which the EU and donors determine the national development agenda for Mozambique.

5.7 National Development and the Mozambican State

Based on – and drawing upon – these selected themes from the field, I now address more directly and broadly the theme of national development in relation to state autonomy in Mozambique. In doing so, I seek to counter any crude reductionist claim that the Mozambican state is simply a player in a drama scripted by the EU and other donors. The on-the-ground reality is more complex than this and in fact quite messy at times, as is all social reality. The differing views and shades of opinions amongst state officials (and others), and even contradictory views held, is an expression of the underlying social processes and practices occurring (though the latter cannot be read in any direct and un-mediated way from meanings attributed to budget support by state officials).

In pursuing the question of state autonomy and ownership of the aid process in Mozambique, interviewees from the MPD and the Centre for International Strategic Studies commented that, in the context of dependence on the international aid system, the nation-state in peripheral capitalism does not, and cannot, function as an autonomous entity or at least autonomy is reduced and compromised. In a situation of dependency and subordination in which the state is reliant on foreign assistance, the national sphere of decision-making and action is contingent in various ways on foreign approval. These interviewees both concluded that significant levels of state autonomy or sovereignty of the state are necessary; otherwise the very existence of a nation-state could be called into question. The failure of the state to be autonomous vis-à-vis external forces makes the state dead (or unresponsive) to the demands of its citizenry.

This position was emphasised and reiterated amongst the various state officials interviewed. The prospect for local ownership of development in the face of EU budget support was seen as hugely problematic. The EU officially exists as a partner to Mozambique but it is clear that this is an unequal partnership. Consultants from the EU, the World Bank and other international institutions are seen as formulating and determining the principles and rules of development in Mozambique and the country must abide and comply by these rules. The Mozambican state, insofar as it administers the national budget and implements the strategies and programmes consistent with the parameters of the budget, has a form of control over the budgetary process; but this does not amount to ownership. In other words, donors are

regularly seen as conceptualising the development process in Mozambique, whereas the Mozambican state is an executor.

Intriguingly, the discourse about ownership and execution is sometimes contingent on the success or failure of development plans. Thus, one interviewee commented that when development action lives up to development planning, donors claim ownership; but, when action falls short of planning, they speak about the ill-conceived plans of the Mozambican state and the latter's lack of capacity. Nevertheless, the overall view of state officials is that donors such as the EU tend to dominate the development process in the country.

In this respect, reference can be made to Mozambique's adoption of the PRE (*Programma de Rabilitação Económica*) (or Economic Rehabilitation Programme), a programme imposed by the World Bank on Mozambique when the country joined the World Bank. This was later followed by PRES (*Programma de Reabilitação Económica e Social*) (Economic and Social Rehabilitation Programme) because it became clear that PRE focused on economic growth to the exclusion of necessary social/public expenditure, thereby entrenching poverty further. This shift seems to imply sensitivity on the part of global donors to the social development needs of Mozambique yet again the shift was donor-driven in pursuance of a gentler version of earlier forms of neo-liberal restructuring (though a harder form of neo-liberalism has reappeared, as indicated previously, in PARPA II). An interviewee, who worked for the Debt Group (May 2013), in commenting on the earlier PRE and PRES, argued that "*we have now the PARPA which looks like it is ours but it is also an imposition by the IMF and the World Bank.*" He went on to say that "*we appear as the implementers of these programmes which are designed by the EU, IMF, WB. In this case I suppose we don't have ownership because we are not the ones that design it. But since we are the implementers from that point of view we can perhaps say we have ownership*". This though is ownership in the weak sense of the term.

It is worth noting in this regard that the development process in Mozambique is driven by documents such as the PARPA. But the PARPA is not a programme that only exists in Mozambique as many other southern African countries also utilize some version of it. In the end, such PARPA documents entail development programmes that are brought by the World Bank to Mozambique and other nations, and a state like Mozambique simply implements them. Another interviewee (ISRI, March 2013) commented that planning documents for Mozambique may appear home-grown but in fact they are not as they emanate from the WB and other multinational institutions. He argued though that "*the effort is to try to make the documents our reality*", though he recognises the difficulties in doing so.

These assertions seem contrary to primary documentation which invariably claims that PARPA is a Mozambican government development plan. In highlighting the function of execution or implementation agent vis-à-vis the Mozambican state, one interviewee provides a more nuanced understanding of the PARPA process:

Yes it's true, there is Mozambican participation... the guidelines come from there [donors] but when it gets here there is an inclusive process in the participation of Mozambicans... This participation is not to design the document but to validate what is already there, to give opinions. The PARPA for example, has a group that gathers in what is called Observatório de desenvolvimento (Development Observatory) where in these meetings they try to align the themes that are in the PARPA with what is our reality. In this meeting, the government, the civil society and the donors participate. However, they do not go there to design or write the PARPA, they go there to see what is in the PARPA and to give some contribution in some missing areas or issues that may have been forgotten. (CEEI, September 2012)

Therefore the interviewee concluded that “*it is in this sense that it is said that Mozambique has ownership of the PARPA*”. But is this really ownership?

The PARPA documentation contains the country's development plans, and thus PARPA does seem to be a critical basis for examining or gauging the extent to which Mozambique is in actual fact leading its own development. In this context, in the case of PARPA I, the Mozambican state was at the time of the document's formulation under the belief that it was entitled to real ownership, and it sought to be significantly involved in the drafting of the documents and in decision-making around the documents. In this sense, the process became relatively inclusive (compared to PARPA II), including the involvement of different tiers of the state and civil society (regarding at least consultation and deliberation).

Notwithstanding this fact, it should be realised that the PARPA framework itself was not conceptualized by Mozambique and nor was it generated in Mozambique. The basic principles and policies underpinning PARPA already existed in the offices of the IMF and World Bank. As a result, the difference that exists between the PARPA on the one hand, and the PRES and PRE on the other is that, in the case the PARPA I, there was some Mozambican input into the process. But this involved input into the finalisation of the relevant documentation, and therefore was at the tail-end of the process. To assert therefore that PARPA I is Mozambique's home-grown development initiative fails to understand the complexities of the processes leading to PARPA. In the light of strident civil society criticism of the formulation process for PARPA I, donors at times acknowledged the minimum

inclusiveness of the process and assured Mozambique that any future development framework would be more inclusive of government and civil society organisations. This however has not materialised.

The PARPA I however was effectively an invention of the donors exported so to speak to Mozambique, that it, it was submitted to Mozambique for input. Consultations for purposes of input in a process already underway cannot be considered as a reliable indicator of ownership. However, given that there was some degree of local participation, PARPA could be considered as modest starting point towards a home-grown development strategy. If anything, PARPA had a pedagogical influence in the sense that it taught Mozambican experts the intricacies of preparing a development strategy in a relatively pluralist political environment.

One of the local organisations consulted during the PARPA formulation process was the Christian Council of Mozambique. An interviewee from the Debt Group (May 2013) of Mozambique indicated that

I do remember at that time we said to the government, dear friends, it's a good idea to bring us a strategy to deal with this big problem we have to overcome. But here comes the fragility of it. You're just bringing us this programme. We did not participate when you decided to draw this up.

He went on to argue “*the most serious drawback of all was that it was drawn, designed, and constructed, outside. As we know whoever pays has the power to determine what you have*” (Debt Group, May 2013). His argument tends to imply that local participation in the PARPA process (PARPA I and beyond) was mere window-dressing which was designed to give legitimacy to an externally-driven process. In this regard, participants in a focus group discussion at the MPD in April 2013 hinted to the fact that the problem did not just lie in the power of the EU and other global players in imposing their will. An additional challenge lay in the incapacity of the Mozambique state, irrespective of its relationship to donors. The Mozambican state was fragile in its administrative and logistical capacity, and this had knock-on effects in terms of conceptualising and formulating a national development plan. At the same, the focus group discussion highlighted Mozambique’s extreme condition of indebtedness which minimised its negotiating power vis-à-vis donors.

The interviewees were asked explicitly if Mozambique has made progress in ownership of its national development, and it was generally said that ‘we are on the right track.’ Evidence of this lies in the comparison of PARPA to earlier development programmes (such as PRE and PRES) that were imposed on the country. Overall, it is claimed that the

PARPA process was relatively participatory and inclusive, not only in the monitoring and execution of PARPA but also in its formulation (MPD, April 2013). Though the process was by no means broad-based, many social segments and groups in Mozambique were said to have been involved or represented in some fashion. Even in the case of monitoring, this is said to be very different from for instance the earlier PRE, where the state implemented the programme and the monitoring was performed by Parliament without wider input beyond state and government. Thus, the PARPA is portrayed as a process which is more inclusive of the ordinary citizen because of its openness to wide involvement, as opposed to PRE which was more state-directed.

With respect to the vision of the state of Mozambique on national socio-economic development it was commented that, for its long-term development plan, the country has the Agenda 2015. The Agenda 2015 is a long-term vision but its major drawback is its very strength – it is a vision but there are no specific targets contained within it which can be measured to assess progress along the envisaged development trajectory. Nevertheless, it serves as a guide on major developmental milestones that specific development plans (such as PARPA) can articulate and pursue in and through the setting out of concrete development goals on the ground. In this respect, PARPA remains the most critical and strategic plan of action. One interviewee spoke metaphorically about PARPA, saying that it resembles a situation where *“I teach you so that you can then play with me... At first it’s difficult, it’s like playing poker, I first teach you and now let’s play the game”* (Deputy Admin Director at the Historical Archives, Mozambique, February 2013). This though is not seen as a positive attribute. It might be better characterised as a game of black-jack in which the EU is the dealer and the cards are stacked against the players. In other words, though PARPA was considered as marked by participatory mechanisms, Mozambique is simply playing the game in which it is invariably the loser.

In this respect, one of the main challenges faced by Mozambique is a human capacity problem. In the case of budget support, this deficit is most acutely felt in the area of accounting. As has been said previously, the EU specifically and the G19 more broadly is very strict in terms of accountability for funds granted. While this is a positive aspect in terms of controlling corruption, it is insensitive to the free execution of the government’s agenda under the pressure of accountability. Furthermore, the complications and effort needed to satisfy accountability requirements increase significantly when each donor has its own criteria of accountability, such as the different forms of accountability required by the EU, Portugal and the Netherlands. As commented by one interviewee, *“At the end of the day...”*

what have you been doing? Just trying to justify the money you got from them instead of implementing your own programme” (Debt Group, May 2013). The interviewee concludes that “therefore we lack human capacity to deal with this issue, [and] we also lack infrastructure”. That being said, the interviewee did note that “it seems today the problems have reduced from the level faced ten years ago... However the country still faces some problems in terms of ethics and infrastructure including even human capacity”.

Of particular relevance is that it is believed that the country managed to reduce the isolated and individual processes of accountability of the past and move to conformity with the EU budget support system because EU nations are now aggregated into one group and the criteria of accountability and monitoring are almost similar. While it is reassuring that these difficulties have been tackled to an extent, Mozambique still does not have full capacity in this regard. A case in point is the inflexibility of the EU with regards to the criteria and conditionalities of aid. Ultimately, though, it is understandable that the EU stipulates these criteria because, as one interviewee mentioned, *“I think if I was the EU I would do the same because I want to make sure that my money is being well used”* (Debt Group, May 2013). The point though is that such strict criteria may compromise the ability of the Mozambican state to move beyond the dictates of the EU and other donors in setting its development agenda.

5.7.1 Enhancing State Autonomy

A fundamental question raised in the fieldwork was with respect to ‘what is to be done’ to enhance Mozambican autonomy in making critical decisions about the socio-economic development path in the future. Several interviewees offered their views. First of all, emphasis was placed on encouraging the strengthening of regional blocs in Africa, thereby making the (regional) home market stronger and more robust and thus hopefully leading to greater economic clout in negotiations with the EU. Secondly, the Mozambican government – it was argued – should encourage stronger outside competition to gain access to domestic resources, such as foreign bids to extract petroleum (thus increasing the national revenues which would enhance the leverage of Mozambique and correspondingly increase its sovereignty in practice). Thirdly, it was suggested that the government has to fortify itself in relation to human resource skills so that it will be more effective in negotiations on the international field. Fourthly, it is argued, *“through a policy of saving [increasing treasury coffers] we will be able to invest in ourselves and create more development from within the nation”* (ISRI, March 2013). Along this line it was also noted that, if current foreign investments are well-managed, domestic resources and inward investment would increase

and development dependency would be reduced. On this point, it was felt that conditionalities may act as a positive inducement for proper state management insofar as conditionalities foster key characteristics such as good governance and transparency.

According to the state officials interviewed, the issue of how Mozambique can become more autonomous is an ongoing (at least policy circle) debate within the country and it is a challenge that state officials are seeking to address. When the question was posed regarding the different options or alternative forms of aid delivery for the country, the interviewees reiterated the importance of the budget support modality as opposed to other modalities. An official from the MPD (April 2013) for instance said that

The model for Mozambique shouldn't have been a model of finance in the form of project assistance because this leads to fragmentation where different partners come and decide according to their varying agendas on which area to invest in. Often times, these preferences are also based on certain rights they are to receive in exchange, as some may prefer water or petroleum as examples. This however is not conducive in terms of a coherent agenda of development.

Clearly, by default, this implies that budget support is seen as the best realistic alternative given the constraints of the international development aid system and the global powers (like the EU) embedded within it, since it allows for a more coherent and coordinated national development plan. This does not entail, as indicated already, unqualified support for budget support. Rather, it is question of complying to the best available option as if the state's hands were tied so to speak. In this sense, the Mozambican state's involvement with EU budget support should be understood as primarily based on compliance with an added dose of coercion and a touch of consensus.

In seeking to visualise an alternative future, the best case scenario according to the interviewees would be for Mozambique to have an independent (or autonomous) national project in which it could focus on specific sectors as determined locally rather than by the prerogatives of global donors. This would entail a national development master plan generated in and through national-wide consultation, and into which interested and sympathetic donors could be integrated on a sectoral basis and under the terms and conditions set by the Mozambican state. A shift in this direction would require significant leverage on the part of Mozambique and could only be achieved if the national economy expanded substantially if not exponentially. At this stage, as the interviewees themselves recognise, such a scenario is far from realisation and in fact is a pipe-dream currently.

At the same time, a crucial facet relevant to any such shift is the extent to which Mozambique relies on external funding for budget support. In this regard, it is notable that there has been a reduction in foreign assistance in financing the Mozambican national budget. Ten years ago, budgetary dependency amounted to a massive 50% of the budget; this has now dropped to 30% though clearly this remains a significant figure (MPD, April 2013). There is a straightforward recognition by Mozambican state officials that, in the long run, aid – including general budget support aid – is not a particularly sustainable way of financing the national economy and that domestic revenue is fundamental to countering the external reliance.

It is important to note, however, that the Mozambican government does have a strategy, no matter how inadequate, for reducing this reliance on external funding. Thus, in September of 2012, the government approved a medium-term strategy for debt management, and for reducing budget dependency, for the period from 2012 to 2015. This strategy attempts to combine concessional/soft loans with non-concessional loans. It is observed that

For the government of Mozambique, concessional loans are definitely the best option because they are 35% less expensive than commercial loans... However we have these constraints ... our debt level is B now or C ... Our debt rate does not allow us to get that much of concessional loans; so most of the loans that come into Mozambique are strictly commercial. There are many loans from China and some from India. (MPD, April 2013)

In addition to debt management, there is a national vision on the management of public finance for the 2011 to 2015 period. An interviewee stressed that *“this is also another strategy which is important for government in dealing with financing in the medium and long run”* (MPD, April 2013). These two instruments, namely, the public finance vision and the medium-term strategy for debt management, are presently the two main mechanisms pursued by the government in dealing with the issue of reducing external dependence and facilitating state autonomy.

Besides the role of the state in pursuing a more independent development path, one interviewee added that *“I think a country grows with the private sector”* (MPD, April 2013). In making this claim, he emphasised that the need for foreign donors is greatly diminished when a country boasts a very strong private or corporate sector as a basis for economic growth. At the same time, economic growth in-and-of-itself does not guarantee a growth-path with a strong redistributive thrust in tackling endemic poverty in Mozambique. Particularly under conditions of neo-liberalism or market-driven development, so-called unproductive

social sectors such as health and education may not receive the attention they deserve in ensuring broad-based development. Therefore, it would be necessary to identify ways for private sector investment and growth without marginalising these social sectors, and the role of the state would be crucial in this regard.

Nevertheless, a key factor in reducing external dependence is the importance of domestic economic growth and productivity. In the words of a participant in the MPD (April 2013) focus group, “*you just have to make money, ‘production’*”. Once a nation adds significant value to its national economy, and this value is retained within the domestic space for reinvestment, it depends less on the surplus of other nations in the form of foreign aid. Furthermore, this entails not simply relying on natural resources as there is a general concern in Mozambique that the current rate of exploration of resources is such that within the next twenty-five years the resources will be exhausted. In this regard, it is crucial to utilise the income from the extraction and sale of natural resources to build Mozambique’s own capacity in terms of infrastructure and production.

Crucially, it was highlighted in the interviewees that a major imperative is to increase government revenue through the enlargement of the tax collection base; and hence the emphasis on domestic economic growth (interviewee at ISRI, March 2013). Certainly, a large and stable tax base creates a predictable income stream for the state, and this stability should ideally be independent of a reliance mainly on natural resources because this would inhibit long-term stability. Currently, in Mozambique, there are certain trends which undermine this. For instance, mega-projects in Mozambique, such as those involved in hydroelectric power, involve capital investments by large transnational corporations which have been granted lengthy tax holidays by the Mozambican government. Such arrangements do not necessarily enlarge the tax base for the state and thus the state is unable to reap the dividends from such investments for funding national development. Again, though, this highlights Mozambique’s dependence on global forces.

5.8 Conclusion

This chapter has provided an overview of EU budget support to the Mozambican state and (in so doing) it has raised critical concerns about the extent and form of state autonomy. The perspective in the field (amongst Mozambican state officials) is that the budget support modality is almost a necessary evil as no viable alternatives are currently available. This does not imply a full-scale and principled critique of the EU and budget support; in fact, it appears that budget support is conceptualised as a necessary step towards a more self-reliant and

autonomous development path. In the end, though, the question about autonomy cannot be couched in dualist terms – as either autonomous or non-autonomous. All nation-states are in some way integrated into the global political economy so it is a matter of identifying and examining the specific form of autonomy (or relative autonomy) that exists in a particular case, such as the EU and Mozambican state with regard to budget support and national development.

Budget support as a modality in the case of Mozambique brings a mixed bag of effects and outcomes. For example, some ministries which were previously directly financed by donors have more challenges under budget support to access funds from the state, but simultaneously this brings about more equality amongst ministries in accessing funds. As well, budget support from the EU leads to harmonisation and co-ordination amongst donors, which is to the advantage of the Mozambican state in terms of monitoring of (and reporting on) external funds, but it also tends to centralise power within a united regional bloc and increases the power differential between donors (as a bloc) and Mozambique as a single sovereign nation-state.

Hence, on-the-ground realities of budget support from the EU to Mozambique cannot be understood in simplistic and monolithic terms; for instance, the Mozambique state as a mere instrument of foreign donors. The realities are more complex than this, and often very confusing, as there are multiple tendencies at work which are not necessarily in sync. The concluding chapter seeks to bring together this complexity by relating it to the broader conceptual framing of the thesis.

Chapter Six Conclusions

6.1 The Research Problem

The main objective of the thesis was to examine the relationship between European budget support to Mozambique (a heavily aid dependent nation) and the autonomy of the Mozambican state in pursuing national socio-economic development. In particular, it sought to determine if the Mozambican state was pursuing a socio-economic development path which in any way deviated from the prescriptions laid down by the European Union (EU) and, additionally, to offer an understanding of any such deviation insofar as it exists. The thesis examined this in the context of theories and debates about the character of contemporary global capitalism, the international development aid system (of which EU budget support is a part) and state autonomy. In addressing these topics, the prevailing literature – at least the more radical literature which provides the theoretical framing for this thesis – invariably comes to the conclusion that nation-states in the capitalist periphery (including Mozambique) are integrated into the global political economy and the aid system in a subordinate and dependent fashion such that state autonomy is severely compromised if not totally undermined. More broadly, the conclusion reached is that nation-states in the periphery almost dance to the tune of global forces; it is as if these nation-states are simply tools of global forces. The hypothesis for the thesis derived from this prevailing literature; effectively, the hypothesis indicates that international development aid delivered through budget support dramatically decreases state autonomy in formulating and pursuing national development priorities.

6.2 Synthesis

The thesis examined nation-state autonomy in the context of the world-wide system of capitalism and, more specifically, the international development aid system. These two systems should not be confused or conflated. The first system relates to capitalist development *per se* or the uneven development of capitalism historically and globally as a world-wide socio-economic arrangement. Over the past decades, numerous theories – particularly radical theories such as dependency and underdevelopment theory – have emerged which argue in the main that deepening globalisation under contemporary neo-

liberal conditions effectively integrates peripheral nations into the global capitalist economy on an increasingly subordinate basis. In a sense, contemporary globalisation is merely a new phase or form of capitalist imperialism (or neo-colonialism) in which nation-states in the periphery are not subject to direct rule by a colonial power as in the past but are ruled indirectly by the global forces of capitalism. Neo-liberal accumulation on a global scale sets the structural constraints or at least the conditions in terms of which these nation-states exist and function.

The international development system, at least compared to the system of capitalist development, is more rooted in global agency and is hence more explicitly articulated and programmatic. This system, which mainly emerged post-World War II, involves direct and conscious interventions of global forces (identifiable by specific institutional setups like the World Bank) into the domestic political and economic spaces of nation-states in the periphery. It supplements and complements capitalism as a world-wide system as it seeks to bring about neo-liberal restructuring in peripheral states. Like capitalist development *per se*, international development as a system of direct interventions has implications for the autonomy of peripheral states particularly given the conditionalities attached to development aid (which was continuously brought to the fore in the thesis).

Radical theorising about both the capitalist system and the development system tend to treat nation-states – particularly in the periphery – as totally subordinate to global forces and hence without autonomy of any significance. This was brought out clearly in chapters two and three. But it was also highlighted in chapter four on the European Union. In this regard, chapter four scrutinised the European Union and its involvement in the international development system. Despite its self-image as an equal and genuine partner in international development and as invariably bringing about socio-economic development in the ACP countries and African nations specifically, it is clear that the EU (as an important regional power on the global stage) seeks to project and protects its interests and that it does so through conditionalities attached to development aid. Clearly, the EU's development aid should not be understood as innocent; rather, it is highly-motivated in seeking to bring about economic and political change outside Europe which ultimately serves the interests of European nations. This is not to argue on the basis of some sort of conspiratorial theory, but it does emphasise that the EU's representation of itself may be fundamentally different from its international development practices and the impacts of these practices on countries in Africa and elsewhere. More explicitly, these practices may simply reproduce relations of dependency between the EU and under-developed nations and inhibit nation-state autonomy

in the capitalist periphery. These claims are consistent with the working hypothesis forming the basis of the thesis.

Simultaneously, while this hypothesis provided theoretical pointers in pursuing the thesis topic (EU budget support and Mozambican state autonomy), it is notable that some radical literature on the relationship between state and society (as bounded within a particular nation-state) and particularly on the relationship between the state and dominant groups in society, raises the argument that at times some degree and form of autonomy of the state vis-à-vis the dominant groups exists (sometimes called relative autonomy). This at least raises the prospect of some degree and form of autonomy of nation-states in the periphery vis-à-vis dominant groups or forces globally (specifically neo-liberal ones). If this is the case, then the Mozambican state is not simply a passive object of others (for example, the EU), but is a subject in its own right with agency which may allow it, albeit in limited ways, to influence the terms and conditions of budget support and thereby shape the national development path accordingly. The thesis therefore sought to move beyond dominant – even taken for granted – understandings of nation-state autonomy in the periphery to offer hopefully a more nuanced understanding of the relationship between the EU and the Mozambican state. Ultimately, this understanding cannot be decided *a priori* on theoretical grounds but requires empirical engagement with historical, social and political processes, as this thesis does.

The extended chapter on the EU-Mozambique relationship (chapter five) provides the empirical footing for the thesis. It provided an overview of EU budget support to Mozambique and spoke to the question of autonomy of the Mozambican state. The budget aid modality is a complex and extended process such that it is difficult to come to any definitive conclusion about autonomy which is equally applicable to all stages and phases of the process. As well, the forms of engagement by the Mozambican state with the budget modality process have been subject to historical variation and change. Certainly, on the whole, the perspective from the field (amongst Mozambican state officials) is that budget support significantly structures, constrains and delimits the development policies, plans and programmes of the Mozambican state and that active state engagement in shaping the budget aid process tends to take place at the tail-end of the process: not in the phases of conceptualisation but in later (and arguably less important) phases of monitoring, evaluation and implementation. Additionally, it is clear that certain state ministries (notably planning and financing) are better positioned to influence the process than other ministries such that differentiation and tension within the state needs to be explored in more depth in understanding the complexities of the budget process. For these reasons, to speak about either

full autonomy or no autonomy is hugely problematic. There are forms and degrees of state autonomy within the budgetary process (for instance, more autonomy in the case of implementation than with regard to conceptualisation) and more powerful ministries may use their institutional power to enact concessions from the EU while also subordinating other ministries.

There is no doubt that the Mozambican state broadly abides to and follows the prescriptions and conditionalities of the European Union (and other donors) in pursuing national development; though, as noted, there is some leeway with respect to particular phases of the process. It would be useful to think about this general absence of autonomy in terms of coercion, compliance and consent. Relationships of subordination are invariably a complex and shifting mixture of all three but, in the case of Mozambican state involvement with the dictates of the EU, compliance seems to be predominant. EU budgetary support is seen almost as a necessary evil as no viable alternatives seem to be currently available. This does not imply a full-scale and principled critique of the EU and budget support by the Mozambican state. In fact, it appears that budget support is conceptualised as a necessary step towards a more self-reliant, independent and autonomous development path.

In this sense, the Mozambican state may be treating the EU just as much as an instrument (or a means to an end) as the prevailing literature claims the EU is treating the Mozambican state. Indeed, as indicated in the previous chapter, the budget support modality has certain advantages for the Mozambican state (at least compared to other modalities) and hence 'buying into' the EU's budget support system may be a tactical decision by the Mozambican state. More specifically, cooptation into the EU agenda may provide the Mozambican state with the space (or a kind of launch-pad) for a more autonomous development trajectory in the future. Just as the EU is seeking quite clearly to serve its own interests, the Mozambican state likewise may be doing the same. Yes, it may not be a genuine partnership and, yes, the EU may be using the budget aid modality as a vector of neo-liberal change; but the Mozambican state also has agency and is trying – in the context of a neo-liberal juggernaut globally – to possibly realise advantages in the long term for the Mozambican nation.

6.3 Rethinking state autonomy

These arguments may lead to a rethinking of state autonomy and the possibilities of some form and degree of autonomy despite the subordination of peripheral states to global capitalism and global forces within the development aid system. In this regard, the Marxist

analysis of the capital-labour relation under capitalism may be especially instructive. This analysis posits that the relationship is marked by both subordination and mutual dependence. Capital dominates and exploits, and labour is dominated and exploited. However, at the same time, capital and labour are mutually dependent – one cannot do without the other. Such an analysis, when brought to bear on the international development aid system, would facilitate going beyond instrumentalist conceptions of the global-national relation in which the global is said to dominate pure and simple. Undoubtedly, it is an unequal relationship (or partnership) characterised by a massive power differential but – ultimately – it is a partnership as is the capital-labour relation. In this context, though the Mozambican state abides by the dictates of the European Union, the European Union also needs Mozambique as a liberal democratic peripheral capitalist nation tied to the EU. This mutual dependence, which admittedly was not brought out entirely clearly in the fieldwork for the thesis, would provide a basis for making sense of any autonomous developmental initiatives which peripheral nation-states undertake their subordinate integration into the global economy. This, I would suggest, would be a critical field of inquiry in future studies about global capitalism, the international aid system and state autonomy within peripheral capitalism.

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Appendix 1: Interview Guideline



RHODES UNIVERSITY
Where leaders learn

DEPARTMENT OF SOCIOLOGY

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WORKING TITLE

MOZAMBIQUE STATE AUTONOMY IN THE CONTEXT OF THE INTERNATIONAL AID SYSTEM:

The Case of the European Union (EU) budget support/ State
budget

***A AUTONOMIA DO ESTADO DE MOÇAMBIQUE NO
CONTEXTO DO SISTEMA DE ASSISTÊNCIA
INTERNACIONAL:***

O Caso do Apoio da União Europeia (UE) ao Orçamento do Estado

ABSTRACT

Development aid has been continuously flowing into Mozambique as a result of donors' consensus on Mozambique's compliance with agreed financial management commitments. The European Union is one of the major contributors to Mozambique's development aid. Until the 1990s, aid was programme specific financing. However, from 2000 aid provision was transformed into programmed budget support making it part and parcel of Mozambique's national budget. This change of approach raised questions on the impact of this on Mozambique's national sovereignty and autonomy especially in designing development policies and strategies free from the interests of the donors. The provisions of the Cotonou Agreements under the ACP and its envisaged substitute, the EPAs, which govern development aid assistance, contain eligibility clauses whose compliance seemingly undermines autonomy of recipient states. Neoliberalism and imperialist development theories underpin this condition for, underdevelopment is said to be caused by unequal relations between developed and underdeveloped nations and further deepened through demands for economic liberalisation. In these relations donors have both economic and political leverage over the recipient. Hence, budget support is not a free gift but comes with conditionalities. The effect of this on Mozambican state autonomy is the locus subject of the thesis, hence budget support merits close study to understand its effect on state autonomy especially on real freedom to design and implement national development priorities.

ABSTRATO

Esta tese tem como tema “ A Assistência da União Europeia a Moçambique . Os doadores continuam a apoiar Moçambique pelo facto de concordarem que Moçambique vem obedecendo o acordo financeiro. A UE é um dos maiores contribuentes de assistência a Moçambique. O Programa específico de financiamento vem desde 1990. No entanto, desde 2000 a assistência internacional foi transformado em programa de apoio orçamental, passando a fazer parte do orçamento do estado Moçambicano. Esta troca levantou questões relativas ao impácto na soberania do estado Moçambicano e na autonomia especialmente no desenho de políticas e estratégias livre dos interesses dos doadores. O acordo “Cotonou” assinado com o grupo Africa Caraia e Pacífico (ACP) actualmente em processo de ser substituído pelos EPAs que governam a assistência internacional , contem preriquisitos que paracem enfraquecer a autonomia dos estados receptores. As teorias neoliberais e do imperialismo explicam essa situação. Segundo elas o subdesenvolvimento resulta das relações diseguais entre as nações desenvolvidas e não desenvolvidas que são agravadas pelas exgências da liberalização económica. Nestas relações, os doadores levam vantagens econômica e politica sobre os receptors. Em fim, o apoio orçamental não é um presente mas vem aconpanhado por várias condições. O efeito disto na autonomia do estado Mocambicano constitui o objecto de estudo desta tese. Portanto merece um estudo profundo por forma a entender os seus efeitos sobre a autonomia do estado especialmente na manutenção duma liberdade quanto ao desenho e implementação do plano local de desenvolvimento.

Research Methodology and Data Gathering Techniques

The research for the thesis is based primarily on primary documentation, notably publically-available documents that highlight the relationship between the European Union and the Mozambican state. Policy reports of the organizations monitoring the implementation of the PARPA such as the G20, the Debt Group, and Christian Council of Mozambique.

The underpinning methodology is problem solving approach as proposed by Seidman & Seidman (1993) According to these authors, development is about searching for solutions to an identified problem. In any problem there are role players. In this thesis the key role players are (i) the Government of Mozambique as the executive arms of the state, and (ii) the European Union representing the donor community providing budget support aid.

The basic logic is that the government of Mozambique generates revenue. There is a set of strategic expenditure any government must include in its state budget structure. Being a post-conflict country the Mozambican state faces unique situations that raise unique budget lines. The national revenue however is not sufficient to cover the demand from expenditure.

To close this budget deficit, the Government resorts to willing development assistance partners. The EU is one of the partners.

As indicated in the main hypothesis: Aid delivered through budget support decreases government's autonomy in deciding on national development priorities. The independent variable is hence: budget support aid. The action variable to be investigated is conditionality for delivering aid through budget support.

The dependent variable is: decrease of autonomy. In the thesis this is assumed to be a given situation. However, to arrive at this situation there is a set of actions, principles and procedures. It is the set of these actions, principles and procedures that determines the access to budget support that this thesis seeks to investigate.

The basic data gathering technique shall be the review of available specialized documentation, interviews with selected key informants. The first group of interviewees shall be from the Ministry of Development Planning. I shall seek to obtain the following information:

- (i) *(Português): Quais são os critérios da elegibilidade para o apoio orçamental pela União Europeia?*

(English): What are the criteria for eligibility to EU budget support?

- (ii) **(P):** *Como é que a União Europeia controla a gestão dos fundos disponibilizados?*

(E) How the EU follows the management of the funds availed

- (iii) **(P):** *Existe no Orçamento uma separação entre os fundos provenientes das receitas nacionais e os fundos da União Europeia?*

(E): Is there a separation between the funds from national revenue and EU funds in the budget?

- (iv) **(P):** *Se existisse uma oportunidade, qual seria a melhor alternativa diferente da modalidade do apoio programático na disponibilização do apoio?*

(E) If given the opportunity, what would be the best alternative to budget support modality of aid delivery

- (v) **(P):** *A assistência geral ao orçamento e uma modalidade de assistência visando melhorar a apropriação local através do uso da estratégia de redução da pobreza. (PRSPs). Em termos práticos, diria que o apoio programático melhorou a apropriação (ownership) do processo do desenvolvimento nos diferentes ministérios e do governo de Moçambique?*

(E): General Budget support is an aid modality that aims to improve local ownership through the use of local poverty reduction strategy paper (PRSPs). In practice, would you say budget support has increased ownership of the development process in the different ministries and for the government of Mozambique?

- (vi) **(P):** *Entre a assistência geral ao orçamento e a assistência sectorial ao orçamento, qual destas alternativas seria de preferência dos ministérios?*

(E): Between general budget support and sector budget support which alternative would line ministries prefer?

The second group of key informants is from the community that follows the implementation of the National Plan, the PARPA, because it is implemented with the budget supported by donors. The key ones are the Christian Council of Mozambique, the Debt Group and Red Cross of Mozambique. The information I will gather from them is, inter alia:

- (i) **(P):** *Em relação ao nível do conhecimento da preparação do orçamento geral do estado, ate que ponto conhece este processo?*

(E): In relation to the level of information on state budget preparation, to what extent you know this process?

- (ii) **(P):** *A sociedade civil conhece os critérios da assistência ao orçamento? Pode explicar, se faz favor?*

(E): Are the criteria for budget support known to civil society? Can you explain it, please?

(iii) *(P): As prioridades previstas no orçamento são consistentes com as expectativas da sociedade civil? Se não, que áreas gostaria que tivessem mais recursos?*

(E): Are the priorities outlined in the budget consistent with expectations of the civil society? If not, what areas you would want to see more resources?

(iv) *(P): Como explica a influência da União Europeia no governo?*

(E): How do you explain the EU's influence on the government?

(v) *(P): Como é que gostaria que fosse feita a assistência ao orçamento uma vez que Moçambique não pode evita-lo?*

(E): How would you like to see aid delivered since Mozambique cannot avoid aid?

(vi) *(P): No seu entender, será que o governo tem a capacidade de controlar os condicionalismos da União Europeia no apoio ao orçamento?*

(E): Do you see the government having the capacity to control the EU conditionalities for budget support?

The third group of interviewees shall be from the academic research institutions namely the Centre for International Strategic Studies of the Higher Institute of International Relations (CEEI/ISRI) and the Centre for Socio-Economic Studies (Centro de Estudos Económicos e Sociais). From these I intend to gather information related to:

(i) **(P):** *A União Europeia concede a assistência a Moçambique através do apoio programático ao orçamento geral do estado. Quais são as vantagens e desvantagens desta forma de disponibilizar a assistência?*

(E): The EU provides aid to Mozambique through budget support. What are advantages and disadvantages of this form of aid delivery?

(ii) **(P):** *No seu entender, o governo tem a capacidade de conformar com os critérios da governação orçamental da União Europeia?*

(E): Do you see capacity in the government to conform to the EU budget governance criteria?

(iii) **(P):** *A assistência ao orçamento prolonga os princípios da gestão do doador para o doado. O que acha ser o impacto positivo e negativo nisso?*

(E): Budget support extends the management principles of the givers into the receiver. What do you see as positive and negative impact of this?

- (iv) **(P):** *A dependência é uma situação conhecida dos países em desenvolvimento. O que é que estes países devia fazer para conseguirem um mínimo nível de liberdade de tomar decisões nacionais relativas ao desenvolvimento?*

(E): Dependence is a given situation of developing countries. What these countries should do to gain a minimum level of freedom to make national decision on development?

- (v) **(P):** *O que considera ser um conflito real ou potencial resultante do apoio programático como forma de disponibilizar a assistência?*

(E): What do you see as the real and potential conflict arising from the impact of budget support form of aid delivery?

- (vi) **(P):** *Se pudesse sugerir uma forma alternativa de disponibilizar a assistência, qual seria?*

(E): If you were to suggest alternative form of aid delivery, what would it be?

The interviews are based on pre-prepared open ended questions (Royce Singleton et al, 1993) followed by probing questions where necessary. To gain a clear picture of the budget deficit that justifies the resort to donors, I review two state budgets, one from the time prior to budget support, and one with budget support. This also enables comparison of priorities and the principles behind each. The budgets are obtained from the archives of the Central Bank and the Government's Official Documentation Centre.