



The Conditionality debate rages on.....

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Introduction

Conditionality has maintained its contentiousness in the development aid discourse.¹ Arguing that African governments are generally irresponsible, inefficient, corrupt and unaccountable, both bilateral and multilateral donors have traditionally attached stringent conditionalities on aid to these countries. In particular, the economic policy reform conditionalities have been criticized as harmful (whiteband.org, 2007). The ESAP era proved beyond reasonable doubt that conditionalities harm intended beneficiaries and undermine the performance of aid, hence the initial dismissal by civil society both in the north and the south and calls for 'aid without conditionalities' as these conditionalities increase rather than reduce poverty' (ALRN, 1999, Worldbank campaign Europe, 2007).

As the discourse continues at various levels, a consensus on way forward with conditionalities remains elusive. Currently some of the conditionality debate is around; are conditionalities reducing in quantity and quality?² The use of economic policy versus political/governance conditionalities and most recently Chinese aid without conditionalities.

Responding to on-going international criticism, the IFIs claim that, conditionalities have evolved over time with a number of positive developments including 'fewer interruptions' on programme implementation, less conditionality scattered across different reform areas and that aggregate World Bank and Fund conditionality (number of conditions per year) are declining (IMF Oslo Conference notes, Oslo Conditionality conference, 2006, World Bank conditionality Review, 2006). Arguing to the contrary, civil society refutes these claims maintaining that conditionalities continue to exist in large numbers, economic policy conditionalities of the IFIs are still hurting the poor, what has changed over time are the definitions of conditionalities, with the IFIs adopting supposedly more user friendly language by use of terms like 'benchmarks', 'improvement of business climate' to refer to the same old economic policy conditionalities. Thus according to civil society, nothing has changed (Bull et al., 2006). In fact conditionalities are 'still unacceptably high and rising in numbers in order to gain access to World Bank and IMF development finances' (EURODAD, 2006).

As the conditionality has debate evolved, it has also led to the categorisation of conditionalities with some being labelled as good, thus more acceptable and some as bad. Civil society has condemned economic policy conditionalities as bad and called donors to stop imposing them. Acknowledging their adverse impacts, more progressive donors like Norway are publicly disassociating their aid from privatization and liberalization conditionalities. In a speech at a conditionality conference in 2006, the Norwegian Minister

of International Development Mr. Erik Solheim reiterated that 'Norway will not support aid projects or programmes that are conditional upon privatization or liberalization' (Oslo Conditionality conference, 2006). Civil society is urging other donors to follow suit.

On the other hand linking them to efficiency, political/governance conditionalities are perceived as good thus civil society would like them imposed especially on those governments they consider bad and undemocratically ruled.

Last but not least, although little is known about it, 'Chinese aid with no conditionality' is certainly bringing an exciting dimension to the conditionality debate. The adoption, by Africa, of the 'Look China', rather than the so called 'Look East' policy has brought a new form of aid to Africa. The Chinese Policy on Africa is based on a principle of non-interference in the domestic affairs of partner countries, thus while the west continues to hang on to traditional conditionalities based on recipient country domestic policies, China is dangling more enticing aid without conditionalities and African leadership is embracing Beijing as the new 'all weather friend', in the process shunning the traditional aid and its conditionalities. Recently, Angola terminated its relationship with the IMF while increasing collaboration with the Chinese. Whether Chinese aid with no conditionalities is better for the African recipients than western aid with stringent conditionalities will be proved with the passage of time. In the meantime many African governments are quite happy to go with the so called aid without conditionalities.

This opinion piece discusses the on-going conditionality debate from an African perspective. It begins by looking at the background of conditionalities and the widespread negative impacts. It also discusses the different opinions surrounding the imposition of conditionalities, donor multiplicity and coordination. It concludes by discussing the role of civil society in entrenching conditionalities when they act as vehicles of delivery of aid in situations where donors need to bypass governments in implementing particular projects.

The piece suggests that because aid is still around for a while longer, so are conditionalities as donors are not prepared to give free aid. What would be worthwhile, especially in the context of aid effectiveness would be to negotiate suitable conditionalities based on the context of the recipient in order to negate the harmful impacts of these conditionalities.

Background

The adverse impacts of Structural Adjustment Programmes (SAPs) in the 1980s heightened the conditionality debate. Empirical evidence shows that more people were thrown into poverty by the SAP's Economic Structural Adjustment Facility (ESAF) conditionalities, through unemployment, shrinkage of the formal sector, lack of access to basic services and other negative impacts of this framework's socio-economic policies (Englund 2002, McLaren et al, 1998, ALRN, 1999). The cuts in public expenditure, higher interest rates, liberalization of foreign exchange amongst other reforms failed to stimulate the anticipated economic growth and development (ALRN, 1999). In Uganda, the formal sector employment dropped to less than 14% and retrenchments cost the jobs of more than half the civil service (ARLN, 1999).

At the turn of the century, the Poverty Reduction Strategy Papers (PRSPs) were brought in as attempts to reverse the severe negative impacts of SAPs. However the Poverty Reduction Growth Facility (PRGF) of the PRSPs – used as a prerequisite for accessing aid – still contains economic policy conditionalities including privatization and liberalisation which hinder access, by the poor, to resources and services like health and education hence continue to entrench poverty and are in fact beyond the implementation capacity of the recipient countries (Wood, 2006). For example, between 2002 and 2007, Burundi, Cameroon, Zambia, Chad, Sao Tome and Principe's PRGFs required them to privatize key productive sectors including airlines, banks, electricity, coffee and cotton sectors. Privatising these important entities will allow international capital to, much like during the SAP era, continue to dominate and undermine local production and services as international corporations are able to access state enterprises at minimal cost. The deregulation of banking systems will likewise continue to push interest rates beyond the reach of the majority. Thus there is no difference between the economic conditionalities and negative impacts of the SAPs and those of the PRSPs, pushing civil society to conclude that in fact conditionalities have not evolved as alleged by the International Financial Institutions. The tension between the two is that while PRSPs are intended to reverse the impacts of the SAPs, the conditionalities in the PRSP's PRGF block the PRSP from achieving that objective.

Empirical evidence has also shown that most of the conditionalities remain beyond the capacity of most governments to implement effectively. This may be a result of weak or limited administrative and policy structures. The lack of political will is also a possible contributory factor. Woods notes how in most of the above mentioned countries, the PRGF implementations immediately went off track suggesting their high and numerous demands and the limited capacities of these countries to implement the PRGF conditionalities (Woods, 2006).

The quantity of PRGF conditionalities also remains unacceptably high. For example, Tanzania's first PRGF contained as many as 45 'conditionalities identified as benchmarks' (TASOET, 2005). In practice, the higher the number of conditionalities imposed, the more demanding and cumbersome they become therefore lowering chances of successful implementation hence most countries immediately go off track as soon as the implementation phase begins.

Despite civil society efforts to influence the PRGF conditionalities, studies on both first and second generation PRSPs show that while civil society could influence – to a large degree – (especially second generation PRSPs) many important components of the PRSPs, the PRGFs still remained a domain of the donors, shrouded with secrecy leaving no room for civil society to participate in the PRGF discussions (AFRODAD 2nd Generation PRSP, 2007). National governments continue to participate as junior partners responsible for signing off the PRSPs making little input to the critical components of the national development plans they should own.

It is baffling to note that despite massive evidence of the harm caused by their policies, the World Bank and the IMF are 'still failing to consistently ensure that there is proper assessment of the likely consequences of the different policy actions on the poorest people' (Joint NGO brief, 2007). Clearly the IFIs are more interested in driving their own agenda without regard for the real needs of the people. Conducting proper Poverty and Social Impact Analyses (PSIA) would ideally eliminate the negative impacts of the conditionalities imposed by the IFIs well ahead of programme implementation. To the IFIs, PSIA's are an obvious drawback and therefore deliberate efforts to sideline them are constantly being made. A joint civil society study on PSIA's notes that even when conducted, Bank staff sometimes 'ignore' the PSIA's when designing their lending programmes (Joint NGO briefing note, 2007). Full adoption of the PSIA's threaten privatization and liberalization, the core of the neo-liberal agenda and the existence of the IFIs. In this case, it is therefore reasonable to conclude that IFIs are not failing but deliberately sidelining PSIA's to advance their own cause.

The powerful position of the IFIs to impose adjustment programmes like SAPs with harsh conditionalities (PRGF) on the poor is evidence that, the aid regime continues to perpetuate unequal relations between donor and recipient relationships, exposing the demeaning donor double standards. Rich countries should make it their responsibility to ensure that whatever terms and conditions they impose, they do not harm but enhance the quality of life of the recipients. In future, taxpayers in rich countries should be urged to impose conditionalities such as the PSIA on their governments before giving them custody of aid for the poor.

On one hand the donors are calling, through initiatives like the Paris Declaration on Aid Effectiveness (PD) for equal partnerships to improve the impact of Aid while on the other perpetuating the very same principles in their own instruments like the PRGF and non-adherence to PSIA's. In a relationship where they hold the key to resources, it seems impossible for donors to accept equal partnerships. They much prefer 'part partnerships' which maintain the traditional skewed giver (superior) – receiver (lessor) status. Thus progress in the development discourse has been much a one step forward two steps back affair.

Differing views of conditionality

Civil society organizations in the north and to a lesser extent the south, often demand conditionality focused on strengthening environmental protection, strengthening human rights or to push for democratic change. Do different actors at the national level have different views about conditionality and are they compatible?

The categorization and acceptance of some forms of conditionality over others is growing. Debate also continues over who defines what good or bad conditionalities are and why. The initial responses to conditionalities were radical calls for their elimination citing their negative impact and flawed framework, activists therefore called for 'aid with no conditionalities'. Time and reason have however told that realistically, aid will not come without conditionalities. As noted by Oxfam 'of course aid should come with some terms attached, rich countries have the right to expect their aid to be clearly accounted for' (Oxfam, 2006). Undisputedly, it is responsible citizen duty to ensure that transparency and accountability are fundamental in all, not just aid transactions, for value addition and continued support from taxpayers. What is disputed is the framework of conditionalities and therefore the need to establish better terms of engagement between donors and recipients.

Discourse and pressure is growing for 'aid with no harmful conditionalities' and a positive nexus is being drawn between good conditionalities and efficiency. Good conditionalities are supposed to beat recipient governments into submitting to the fostering of effective and efficient administrative and delivery structures and consequently poverty reduction. Though none of them are about efficient and effective administrative and service delivery structures, environmental protection, strengthening human rights and the push for democratic change are classified as positive conditionalities.

Although generally accepted in the south, questions have arisen on the interests of the Northern civil society in pushing some of these conditionalities, who defines them, using what benchmarks? For instance the Northern push for the environmental protection conditionality is perceived to be in the interest of the rising global warming agenda which civil society in the south still value as largely a problem of the west and therefore not much identifying with and the feeling of being dragged into another external agenda. Europe is especially panicking over the rising impacts of global warming, it would like the world to act immediately but in the face of resistance from powers like United States, another way to go round it is to impress on Africa to adopt the agenda, thus imposing it as a conditionality becomes a way of ensuring that it is adopted. The general Southern view is that, the developed world is responsible for global warming and must therefore take responsibility for it without dragging Africa into it. It is worth noting that although the impact of global warming on poverty reduction is obviously negative, the way conditionalities around global warming are drawn up may not be helpful for poverty reduction reasons, i.e. they may only be drawn up for the narrower objective of preventing global warming which is a Northern and not necessarily a Southern objective. Pushing for democratic change through conditionality has proved sensitive. Not only is it viewed as a violation of national sovereignty and ownership but also a conspiracy of the west on recipient

governments. For example in Zimbabwe³, the donor push for human rights and rule of law translates to toppling a democratically elected government and consequently an obvious fertile ground for tension and repression of civil society. While it is important to ensure democracy, rule of law, peace and stability for development, the imposing of such conditionalities has presented a dilemma to citizens in recipient countries. This heightens the subjectivity of good and bad conditionalities and their impacts.

Evidence of the positive conditionality-efficiency nexus is still largely missing. Critics of the Mo Ibrahim Governance Award and the recent announcement of former Mozambique President Joachim Chissano as the first winner of the multi-million dollar good governance jackpot point to Mozambique as another case in which the good governance-poverty reduction/efficiency nexus is questioned. While Mozambique is generally regarded as having been well governed under Joachim Chissano, this did not necessarily translate to poverty reduction. Campbell observes that the living standards of the people of Mozambique have deteriorated considerably since independence – 'Mozambique ranks 168th on the Human Development Index, the lowest in Southern Africa. Clearly, the people of Mozambique have not benefited from the good governance dividend of the Chissano era. Good governance in the Chissano era only helped to pave way for the elite neo-liberal agenda for 'foreign capitalists to continue to plunder the country' (Campbell, 2007). The nexus is thus weak and good governance conditionalities can be referred to as an imposition only convenient for entrenching neo-liberalism, much against the basics of poverty reduction and the real needs of the poor.

Although compatibility levels on conditionalities between Southern and Northern civil society varies amongst issues and responses, it is largely positive. Often the two collaborate on research, lobbying and advocacy for improved impact. Over and above this, Southern civil society however still needs to do more proactive work to engage its citizens on conditionality without being driven by the Northern needs. This will indeed be a test on the compatibility of Northern and Southern views on conditionality as the citizens come up and air their own views on conditionalities.

Donor Numbers and conditionality

The more donors that work in a country, the more likely it is that policy conditionality will increase as each donor pursues its own priorities. How could the number of donors in each country or in each sector be reduced? Would codes of conduct help to reduce the build-up of conditionality or are there other methods more likely to be successful?

The more donors there are in a country the higher the chances of increased conditionalities as donors either individually or collectively add their own pet policies on the recipients. Donors tend to have varying interests to the different components of a national development plan/ PRSP thus programme fragmenting to suit donor needs is common. For example, in a national HIV/AIDS programme, while one donor may only be interested in increasing awareness on HIV/AIDS, another's concern may only be on provision of treatment and yet another donor on care for

orphans. Thus as each donor supports their component of interest, one programme will end up with many different donors and conditionalities attached to it to attract donor resources making unreasonably high demands on the recipients.

Regrettably, the purpose of aid has been distorted by strategic interests, and the more strategic a country is, the more donors and distorted aid it attracts. Coupled with either poor or non-existent aid management policies, aid has become a challenge to administer in most African countries. For example Tanzania 'receives aid from over 50 countries, this is on top of international organizations and IFIS' (TASOET, 2005), each bringing their own conditionalities to serve their specific objectives. TASOET further notes that in order to fulfil the various donor demands, 'Tanzania produces 2,400 reports annually and just for the multilateral development banks, the government is required to submit 8,000 audit reports annually'. The example of Tanzania is typical across Africa. Undoubtedly, these demands are unreasonable and unsustainable considering the capacities of the recipient countries which end up concentrating more on donor demands than on actual delivery and the needs of their citizens. Where donors are more coordinated and harmonized, demands on the recipients can be reduced.

The Paris Declaration (PD) on Aid Effectiveness signed by both donor and recipient governments in 2005 attempts to address the issues of ownership, harmonization, alignment, mutual accountability and managing for results to improve the efficiency and impact of aid. Although it has some inherent weaknesses, if strengthened, the PD has the potential to improve coordination and impact of aid amongst a multiplicity of donors and reduce the administrative burden imposed by this type of uncoordinated conditionality. Although an internationally accepted instrument, research on its implementation so far shows mixed results with some donors showing slow signs of readiness to implement the declaration standard requirements, possibly for fears of being overshadowed in the large donor crowd thus losing influence over their strategic interests. This unpreparedness to adopt such initiatives is also a sign of donor hypocrisy and skewed power relations in imposing conditionalities, when required to commit to their own agreements, some donors are not always prepared to do so.

Effects of conditionality?

What are the effects of conditionality on domestic accountability? How can relationships which ensure adequate financial reporting without policy conditionality be developed?

Effective domestic accountability implies that all parties in the particular domestic set-up (national governments, donors, civil society and citizens) account to each other in an equal and transparent manner. In equal partnerships no party is more equal than another and therefore more privileged accountability over others. At all levels, each party can demand accountability without prejudice. Because donors often accuse governments as being unaccountable, discussion on accountability therefore tends to focus on government to donor accountability leaving other important stakeholders like civil society and citizens out. A growing and often uncomfortable discussion for civil society is about who they are accountable to. Experience has shown that civil society tends to be more accountable to donors for the resources without which they would not exist.

Thus governments point to them as not well positioned to demand accountability from government as civil society accountability is also biased towards donors with lesser regard for governments and often citizens.

The donor role in domestic accountability is largely negative as it tends to perpetuate skewed accountability, for example where donors provide resources to both government and civil society, both recipients are required to account, directly and separately to the donor. Donors do not make efforts to establish the other lines of accountability amongst the recipients themselves and also from donor to both recipients. Partnerships in aid effectiveness will require that all parties account to each other in an unbiased manner and donors are well positioned to foster this.

Conditionalities have thus had both positive and negative effects on domestic accountability. They can strengthen government capacity and institutions, as under donor pressure, governments are forced to strengthen and deliver more functional institutions and structures, thus more accountability and service delivery to its citizens. The case of the PRSPs civil society participation conditionality which led to opening up of the much appreciated interaction space between government and civil society is a rare example of a positive impact of conditionalities on domestic accountability. In the formulation of PRSPs, donors demanded civil society inclusion leading to the opening of previously non-existent dialogue space between governments and civil society. While this space is still young and facing challenges, it is welcomed as having potential for increasing domestic accountability and the whole notion of democratic governance as it recognizes citizens as a crucial part of their own development. Questions still arise both in the first and second PRSPs (and other national development plans) regarding the quality and impact of the participation which is largely deemed to be merely cosmetic as civil society input does not always reflect in the final national plans/PRSPs.

Negatively, conditionality undermines domestic accountability by making too many demands on governments – as in the case above of thousands of annual reports, conditionalities and missions – eroding its capacity to perform effectively. The enticement of recipient government with resources tends to increase focus on satisfying donor requirements leaving people and their representatives out of the processes. The vertical relationship marginalizes accountability to citizens as donor needs become a priority for recipient governments, thus skewed loyalty. Again the first PRSPs present yet another contradictory and double standards example. Various studies of the first PRSPs revealed that most PRSPs were rushed as governments were targeting access to HIPC resources therefore undermining national accountability of the government role to consult its citizens widely.

In several countries, IMF/WB staff are seconded to either the Finance Ministry or the Central Bank, making and influencing key policy and in some cases overriding national decisions. For instance, it is the IMF role to maintain low inflation for macroeconomic stability, sometimes this role is performed at very high costs to the country and its citizens. For example if a national decision is made and has the potential to raise inflation, the IMF will override such a decision regardless of the cost. Such a scenario presents a clear case of how conditionalities can once more undermine

national ownership and sovereignty. Yet these self imposed custodians of Africa's development are not without inefficiency, corruption and bad governance all of which undermine both their performance and the impact of their aid. It is better for donors to invest in recipient government capacity than punish them with harsh conditionalities and drive national policymaking citing capacity challenges.

Where donors bypass governments and channel their support through civil society, domestic accountability structures can also be undermined between civil society and its constituency (the poor/grassroots) and to government⁴. In competing for donor resources, civil society can also get pre-occupied with satisfying donor requirements for continued funding at the expense of the interests of the people. Channelling aid through civil society has often caused tension between national governments and civil society leading to the adoption of the controversial NGO bills in Zimbabwe, Zambia and Uganda. Through these bills, government attempts to increase Civil Society accountability directly to government rather than donors by regulating civil society operations.

Through capacity building on financial reporting, mutual trust and on-going dialogue, relationships that result in increased domestic accountability at various levels can be developed. To develop such relationships, donors need to appreciate the context and capacity of the partners before making unrealistic demands that undermine national ownership and accountability. National governments also need to be realistic and open about what they can or cannot do to avoid tensions, underperforming and consequently the imposition of stricter conditionality and further undermining of domestic accountability and national ownership.

Also, to develop better donor-recipient relationships and minimize conditionalities, Africa needs to prove to donors that it is willing to embrace transparency, accountability and democratic rule and that it has the interests of its people at the centre. The donors also need to acknowledge the efforts Africa is making at democratizing through free and fair elections and efforts such as the African Peer Review Mechanism (ARPM). Such efforts should give donors confidence on Africa's position and therefore relinquish conditionalities for the benefit of the poor.

Role of civil society

Donors use national CSOs and Northern NGOs to bypass government and implement particular projects or to advocate for particular policy positions that they cannot impose directly through policy conditionality. What are the functions of national CSOs and Northern NGOs in a financing regime which respects national ownership?

Although it has its challenges, civil society has proved that it is well placed to play an important role in the delivery of aid (implementation and monitoring). It has a significant amount of information generated from various research studies to influence policymaking, has some degree of leeway to engage donors and influence change. It also has reasonable resources and infrastructure for service delivery for example in complex emergencies, consequently it has been a preferred vehicle for aid delivery especially where donors need to bypass governments and impose conditionalities through civil society as a third party.

The preferred use of civil society over government has

played a controversial role in entrenching conditionality and undermining national ownership. This practice is common in countries identified as either weak or undemocratically governed and yet on humanitarian basis, donors still need to deliver aid to citizens, civil society becomes the delivery vehicle. Through use of civil society, donors deny governments access to the much needed resources and implement political conditionalities through them for example by funding programmes on governance, human rights and rule of law. The relationship between governments and civil society has not been well defined thus in some cases Civil Society tends to compete rather than compliment government in its role, in this competition Civil Society can play a role in entrenching donor conditionality as it attempts to outdo the national government. This competition weakens government which in fact needs to be strengthened to deliver on its role of being the guardian and provider for its people.

In those countries considered as well governed with functional administrative structures that deliver to their people, respect democracy, rule of law and national ownership – Botswana being an immediate example, civil society tends to be weak. The need to develop a critical voice to watchdog a democratic government is not considered a priority hence government largely goes unchallenged even when it infringes peoples' rights. Such governments are respected and need not be questioned by their citizens. The comfort zone breeds complacency amongst citizens. Such a scenario can in the long-term result in an arrogant government which is not open to criticism. Zimbabwe is internationally acknowledged as having been well governed during its first ten years of independence, made significant process and therefore went largely unquestioned both by its citizens and the international community. It is only when government overstayed and began to show signs of repression that civil society emerged as a critical voice. The response has been a heavy hand on civil society viewed as a making of the west and an enemy of the government.

Democratic or undemocratic, civil society role is crucial. There is always need to monitor and keep the governments alert even when things are on course to ensure that it does not fall off track. Although well governed, most European countries have strong and vibrant civil societies to ensure that governments maintain a role that will continue to uplift the standards of living of their citizens. Civil societies in well governed African countries need to learn from Northern counterparts to further enhance democratic rule and national ownership of their governments.

Conclusion

The conditionality debate rages on with no agreed common position around or way forward with some quotas favouring political/governance over economic policy conditionalities and others calling for no aid with conditionalities. The paradox of aid is that while it is intended to benefit the poor, it is also deeply embedded in the strategic interests of donors. For as long as aid comes in this framework, it will remain difficult for recipient countries to bargain, negotiate and eliminate conditionalities. The dilemma of the resource gap has presented African leadership with little choice but to accept conditionalities that further harm the poor. Conditionalities should not be imposed but negotiated

and agreed by both parties taking into consideration the prevailing contextual circumstances. Conditionalities should only be accepted if they are minimal and not harmful to the recipients.

Because aid is still around for a longer while, recipient countries should continue to push for better aid terms (aid with no harmful conditionalities) that will result in better lives for their citizens. Other ways forward would be for African leaders to truly democratize and increase domestic accountability, respect the rule of law and human rights thereby proving to donors the need to do away with conditionalities. All parties including civil society, donors and national governments need to commit to and demonstrate true partnerships that enhance accountability at all levels.

On a radical front, African countries should, in the long term prepare to do away with aid completely (in favour of domestic resources) and in the process do away with conditionalities, for until such a time when the continent is free of donor aid, conditionalities will continue to come packaged in different forms, further harm African citizens and indeed the debate will rage on forever. Africa can make strategic links with other countries to draw important lessons from them. For example, India is one of the few developing countries that have strengthened domestic resource mobilization and made significant strides in shedding of donor aid. Through reducing its donor contingency, India has strengthened its position to negotiate/bargain donor conditionality options. Such is a future Africa should be aiming at.

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Endnotes

- ¹ Especially the conditionalities imposed by the International Financial Institutions which form the basis of this discussion
- ² Conditionalities considered as less harmful on recipients
- ³ Zimbabwe currently presents an unusual ad extreme case for general use but is however a good example
- ⁴ Although there is debate on whether civil society should be accountable to government, this discussion encourages accountability to all parties and at all levels in the spirit of the Paris Declaration. National governments should however not take advantage of this accountability and use it to repress civil society operations through stringent regulatory instruments.

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