



## The primacy of domestic politics and the dilemmas of aid: What can donors do in Ethiopia and Uganda?

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After months of diplomacy and political pressure, the UK Government recently announced that it would no longer provide direct budget support to the Ethiopian Government, over concerns about its commitment to human rights. Since the disputed elections of last May, the Government of Meles Zenawi has been accused of violently suppressing attempts by the opposition to question the election results. A strong statement of condemnation jointly released by EU donors last November did not generate significant responses, and as a consequence a number of donor governments adopted aid sanctions.

The past few months have seen similar events take place in Chad and Uganda. In Chad, the World Bank suspended all its operations after the Parliament passed some amendments to the legislation on the use of oil revenues that had been upheld as a new model for managing resource rents for poverty reduction. In Uganda, various donors cut their assistance when President Museveni not only decided to modify the constitution to be able to run for a third term in office, but also jailed his main opponent and former doctor, Kizza Besigye, charging him with treason and rape.

Uganda and Ethiopia were until recently considered 'donor darlings'. Both countries had seen their aid inflows grow rapidly, especially in the form of untied budget support, which they could allocate and spend according to government priorities and systems. Such support had allowed for concrete achievements in terms of scaling up service delivery and reducing poverty. In this way, their governments had managed to gain the confidence and respect of the international community by showing commitment to good governance and poverty reduction. As recent events clearly show, however, such commitment seems quite fragile. In the face of potential electoral challenges, both leaders reacted strongly, clamping down on opposition forces.

This is a clear indication that no matter what donors think or do, in many cases domestic politics takes precedence when

power-holders feel that their regimes are being questioned. Donor pressures and threats to cut aid are less important than internal control over the levers of power, especially in countries with weak democratic institutions and traditions. Available evidence on the use of political conditionalities shows that they are largely ineffective, except for limited and circumstantial cases where donor coordination is strong and there are internal processes already at work.

This leaves donors with some difficult dilemmas: how can a donor country respond to human right abuses without harming the right of poor people to benefit from aid-financed services? How can long-term commitments and open dialogue be reconciled with the need to respond to governance crises? Possible answers belong to four categories.

*Make partnership agreements more explicit, based on political and historical analysis.* As a number of commentators have pointed out, Zenawi and Museveni's democratic credentials have only been established relatively recently. Donors have known this for a long time. Yet, they stood mostly unprepared to cope with crises that led their favourite African leaders to turn their backs on previous commitments, putting their governance record into question. The decision taken by Hilary Benn and other donor countries was inevitable, if only because of the domestic pressures they were under to condemn human rights abuses. But it was a late reaction to a foreseeable event. Political and historical analysis could have led to a much sounder appraisal of the likelihood of such crises taking place, possibly avoiding today's need for such drastic measures. Such analysis should inform the shape of the aid agreements that donors sign with recipient countries, spelling out the boundaries of 'acceptable behaviour' that both undertake to respect. In existing agreements, governance issues tend to get excessively watered down.

*Choose a sensible mix of aid modalities.* The analysis suggested above could also inform a long-term strategy in

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selecting aid modalities according to country circumstances, in a way that builds government capacity to provide services but at the same time provides adequate safeguards in high-risk environments. Budget support should remain the preferred modality, but only in those cases where its long-term viability cannot be put into question. Sector support, possibly linked to specific service delivery targets, should be the next option. Aid fungibility would still be an issue that is, earmarked support may free up resources that the government can spend as it wishes, but it would be harder to question the legitimacy of the aid being given. Project support should only be considered in specific cases, where state fragility or political concerns prevent the use of other modalities, or for specific support to capacity development efforts. A complete by-pass of government systems should be actively avoided, unless there is a serious breakdown of trust.

*Act jointly with other donors.* Past experience shows that donor pressure works best when the international community speaks with one voice and acts together, and the recipient government cannot easily resort to alternative funding sources. The development of joint dialogue and response mechanisms should be a priority for the donor community, with an eye to non-traditional donors, such as China, who might be less interested in upholding specific governance standards.

*Support domestic accountability institutions.* Donors giving budget support have too often focused on supporting

government systems and capacity, without taking into account the broader context in which governments operate. The development of domestic accountability institutions, from Parliaments to audit institutions, from think-tanks to political parties, is a crucial counterbalance to government power. Capacity-building within the government should go hand-in-hand with strengthening accountability mechanisms. Donors should not shy away from recognising the increasingly political role that they play, especially in countries where they provide a significant proportion of public expenditure.

Ultimately, these brief considerations point to the fact that the primacy of domestic politics is a factor that donors need to take into account, along with a recognition of the limited role that they can actually play in fostering good governance by providing or withholding aid. A humbler approach which involves a more careful prior assessment of risk based on political and historical analysis, a non-dogmatic selection of aid modalities, joint donor action and broader attention to political (and not only social and economic) development could help donors in dealing with governance crises in a better way.

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