An ESRC Research Group

Contrasting visions for aid and governance in the 21st century: the White House Millennium Challenge Account and DFID's Drivers of Change

GPRG-WPS-062

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June 2007 (replaces earlier version)

Global Poverty Research Group

Website: http://www.gprg.org/

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Abstract

Governance is becoming increasingly important in development and poverty reduction policies. However, the forms and methods by which it is to be incorporated into donor programs are only emerging at present. In this paper, we contrast two very different approaches- the White House led Millennium Challenge Account (MCA) and DFID's Drivers of Change (DOC) Approach- to analysing governance, and compare their theoretical underpinnings. A key factor explaining why these different approaches have been adopted is that for the USA, global poverty reduction is a footnote to its foreign policy and national security agenda, whereas in the UK, global poverty reduction engages both the national political leadership and the civil society. In the conclusion, the paper suggests that enduring contradictions confronted by all donors complicate the treatment of governance in empirically nuanced terms (as DOC attempts to do) while privileging a more universalistic approach like the MCA.

Keywords: Aid, Governance, Poverty reduction, MCA, Drivers of Change

1. Introduction

The new millennium has fostered an increased interest in international development and has reframed this task as global poverty reduction. This millennial fever peaked in September 2000 when 189 nations signed up to the Millennium Development Goals (MDGs). Rich countries committed themselves to increasing levels of foreign aid; poor countries committed themselves to prioritizing national poverty reduction policies; and, all agreed that they would need new modalities and new partnerships to achieve the ambitious goals. While the MDGs are broad-based and cover many of the core dimensions of poverty, they adopt a technical approach to poverty reduction and studiously seek to sidestep politics and questions of

governance. This is understandable, given that 189 national leaders find it easier to sign up to an apparently technical document than to reach a political consensus, but contrasts markedly with the understandings of development and poverty that had emerged over the 1990s. These had increasingly argued that political analysis was central to understanding poverty and that effective governance was needed to significantly reduce poverty.

At the Millennium Summit, the leaders of rich countries made broad commitments to increasing official development assistance (ODA), but the task of being specific about how much more was deferred until March 2002 and the Monterrey Finance for Development (FfD) Summit. What the UK position at Monterrey would be was reasonably clear – with a Chancellor committed to global poverty reduction, a powerful Secretary for International Development (Clare Short) and a supportive Prime Minister there would be significant increases in UK multilateral and bilateral aid. While there might be new modalities for this, particularly direct budgetary support (DBS), existing agencies would be the main agents for delivery. It was much less clear what the Bush administration in the USA would agree to. With a neo-conservative political strategy that was hostile to the concept of foreign aid and an increasingly unilateral approach to global warming and international security (after 9/11) many expected that a token commitment to increased ODA was most likely. In the event, President Bush astounded his critics (and his supporters) by announcing a 50% increase in US ODA by 2006 (Natsios, 2006, p 136). Less clear in his speech at that time, was that this increase was to be achieved by a major shift in the organizations and modalities through which foreign aid would be disbursed: by bypassing the World Bank, UN agencies and USAID, and creating a new agency – a Millennium Challenge Corporation (MCC) to assist carefully selected poor countries.

In this paper we identify the very different conceptualizations of how governance in poorer countries can be assessed and improved, that underpin recent US and UK strategies to increase and execute bilateral aid. This is done by contrasting the UK's 'Drivers of change'

(DOC) approach with that of the US's Millennium Challenge Account (MCA). Section two sets the context of discussion of the rise of governance as a development issue. Section three presents an overview of US and British bilateral aid. In section four we explain the rationale of the comparison and present the contrast between the MCA and DOC approaches to incorporating governance into bilateral aid programs. Section five seeks to explain why such close allies as the USA and UK have such very different approaches to improving governance and making aid more effective. Section six reviews the experiences of MCA and DOC till date. The concluding section comments on the difficulties faced by donors in conceptualising governance in their aid policy[1].

2. The rise of governance in international development analysis and action

In 1989, the World Bank published a report titled 'Sub-Saharan Africa: From Crisis to Sustainable Growth', which declared that Africa was witnessing a 'crisis of governance' (World Bank, 1989, p 60). This observation followed a decade of World Bank and IMF led structural adjustment, which decisively revealed that adjustment was a political matter (Leftwich, 1994). Moreover, the end of the Cold War signalled a new freedom for the West to attach political conditionalities to aid without fear of losing 'its third world allies or clients to communism' (Leftwich, 1994). This coincided with the rise of pro-democracy movements in parts of Eastern Europe and Latin America, which laid the ground for the active pursuit of democratization and support for civil society by the West to promote governance.

The use of governance by the western donor community was explicitly driven by a concern with politics, and yet it provided a refuge under which donors could refer to 'all things political' without ever being explicit (Hyden 2004, p 12; Lockwood, 2005). The basis for this contradiction lay in the original charters of the World Bank and IMF that forbade 'non-economic considerations' in aid and required that these institutions operated only through the governments of recipient countries and never infringed their national sovereignty (Doornboos, 2000; Easterly, 2006). In practice nevertheless, the rise of 'good' governance in the 1990s

further facilitated the extension of conditionalities around aid programs from economic conditionalities (such as keep inflation below 7% per annum, or remove subsidies on fertilizers) to a range of political conditionalities to drive various political and institutional reforms (including the move to a multi-party system and promoting freedom of the press).

Further evidence however of the non-compliance and partial reforms that conditionalities engendered in recipient countries, led to the view that conditional aid was an ineffective instrument of policy change, and that recipient governments needed to 'own' their reforms themselves (Killick, 1998). An even more radical conclusion favored the abandonment of conditionality altogether and the adoption of 'selectivity' as a guiding principle in lending instead, with donors 'selectively giving aid to countries that already owned reforms that donors liked' (Lockwood, 2005, p 54). The shift from conditionality to selectivity was staunchly advocated by the World Bank in its 1998 report titled *Assessing Aid* (nicknamed the Dollar Report after its principal author)[2]. This view was quickly endorsed by large parts of the donor community, and is practised (albeit to differing degrees) by the World Bank, the US and Dutch governments and the UK. Lockwood significantly observes that 'while many donors have embraced selectivity, they have *not* actually abandoned conditionality, but rather practise combinations of both' (2005, p 54). Yet, the idea that 'good policy environments' mattered for aid to nurture reform has unmistakably influenced donor thinking in recent years.

Whether conditional or selective or both, the practical operationalization of donor strategies has continued to be deeply fraught with problems, ranging from credibility to efficacy. Critics for instance have pointed to the duplicity of donors who would impose 'human rights' conditionalities on aid to Africa, but avoid this with China. The other big question concerned reconciling the quality of aid with its quantity[3]. Countries giving ODA had committed themselves to increasing the volume of aid, but now knew that aid would be relatively ineffective in reducing poverty, unless poorer countries improved their governance[4]. A further irony, given the visible mainstreaming of governance in international development analysis,

was that the analytical framework of the MDGs resembled a simplistic machine model that largely ignored institutional factors and governance[5]. Subsequent responses to the challenge of governance for aid have varied from donor to donor.

3. A brief overview of the contrast between US and UK bilateral development aid

Bilateral aid is regarded as more indicative of donors' interests and policy preferences than multilateral aid, and there are important contrasts in the respective bilateral aid strategies of the UK and US (Hook, 1995)[6]. The first contrast concerns the extent to which self-interest dictates foreign aid. US foreign policy in the post-war period sought to protect US territory, secure its allies, and promote market-based economic growth and respect for individual political liberties, with each of these goals being used as specific anti-communist strategies during the Cold War. After the Cold War ended, US bilateral aid sought to be realigned somewhat with that of the UN and other organizations, yet it remained unclear if developmental goals could win over US strategic interests in the allocation of aid (Lancaster, 2000 and 2007; Radelet, 2003). In the wake of 9/11 however, security has firmly entered the discourse of development aid, bringing new regions into the fold of strategic importance[7]. In the National Security Strategy 2002, President Bush made an explicit connection between 'weak states' with high levels of poverty (and their need for development therefore) and terrorism[8]. Although British foreign and development policies too were worked out within a Cold War framework, it has been argued that British aid was never solely designed to further Cold War objectives (Cummings, 1996). Since 1997 however, the primacy of developmental considerations has been powerfully reasserted, through three White Papers and supporting legislation (the 2002 International Development Act, outlaws the use of British aid for 'any purpose other than the furtherance of sustainable development or the improvement of the welfare of populations of the assisted territories'). The contrast between US and UK aid allocations is illustrated by the degree to which their aid expenditure targets the poorest countries (Figure 1). In this figure, a curve above the bisecting line indicates that a country is allocating its aid towards countries with the greatest concentration of monetary poverty; a

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curve below the bisecting line reveals a bias towards allocating aid to countries that have relatively low levels of monetary poverty. Thus, the UK has a relatively strong 'pro-poorest' focus; this is not the case for the USA (Baulch, 2006).

Figure 1

The institutional autonomy available to particular bilateral aid agencies is particularly telling of this contrast. The US has a complex and somewhat fragmented institutional landscape for aid administration (Lancaster and Van Dusen, 2005), and of its four bilateral aid agencies, USAID is the largest. While USAID was initially established to separate development assistance from security-based aid, this focus has blurred over the years with greater attention to post-conflict situations and notably, democracy-building. By the mid-1990s, USAID was increasingly viewed as subject to the formal authority of the State Department (as described by Radelet, 2003), though it has been and continues to be legislatively independent. Even so, it is widely regarded as a relatively weak government agency, devoid both of government allies and managerial flexibility. In striking contrast, an important feature of British aid administration is the concentration of responsibilities in a single government department, the Department for International Development (DFID). Initially established as the Ministry of Overseas Development in 1964 (later renamed the Overseas Development Administration) within the Foreign and Commonwealth Office, DFID was promoted as an independent unit by the Labour Government in 1997[9]. Killick remarks that DFID's status has bolstered its ability to resist 'pressures' from other ministries (like trade), but notes that it had 'considerable latitude in pursuing developmental goals even when it was a part of the FCO' (2005a, p 669).

The nature of control exercised by powerful actors on the budgetary aid process too is different. In the US, the 'checks and balances' system of government implicates a wide range of stakeholders in making budget decisions, intensifies lobbying by special interest groups and allows Congress to micro-manage aid by 'earmarking' funds for narrow purposes (Lancaster, 2000, pp 45-50). Thus, flexible approaches to compromise prevail and addressing long-term issues related to aid and development cooperation can be more difficult[10],

particularly since aid programs have a relatively weak domestic political constituency (Lancaster, 2000, p 46; Hook, 1995). Voting patterns are also tied in with how controversial foreign policy issues are at that point, as also the nature of Presidential pressure exerted (Lancaster, 2000, Goldstein and Moss, 2005). Private organizations and more recently, faith-based organizations too, have increasingly exercised an influence on the budgetary process of foreign aid[11]. The British Parliament similarly legislates on the aid budget, but party political considerations have had progressively decreasing impacts on its nature and composition. The Labour government's treatment of aid and development since 1997 is markedly different from that of successive Conservative administrations during 1979-97, for their willingness to use aid to protect British commercial, investment and foreign policy interests (Cumming, 1996; Killick, 2005a). In contrast to the US also, aid has enjoyed increasing levels of public support in the UK (more details follow in section five), especially since the 1980s with vigorous mobilization by well-organized NGOs (such as Oxfam) and independent celebrity campaigners like Bob Geldof and Bono. The Band Aid concert of 1985 and the Make Poverty History Campaign 2005 have both had significant impacts on public attitudes in the UK.

Further, in keeping with its general history and evolution, American aid has always been 'tied' or 'earmarked' in order to promote US commercial interests and protect taxpayers' money, producing a concentration on project-based aid. Further, US foreign assistance is delivered through a 'country programming' approach in which USAID is responsible for developing an overall country strategy (Lancaster, 2000)[12]. British aid was heavily tied in the 1980s, but it was equally characterized by its lack of political conditionality (Cummings, 1996). Since the 1990s, DFID has been amongst the leading advocates of programme modalities, including direct budget support to governments, through sector-wide programs or SWAPs, as against projects[13]. Moreover, while nearly 50% of British aid was tied to British goods and services in the 1980s, this figure fell to a seventh of total bilateral aid in 1996 and aid tying was abolished in 2001.

Finally, while American assistance is provided largely as grants to international organizations, foreign governments as well as NGOs, the latter have increasingly been favored as project implementers, especially to promote the administration's democratization and support to civil society agenda (Lancaster, 2000). The British Government in comparison has steadily persisted in prioritizing support to governments over NGOs or other private organizations, aiming to strengthen government institutions rather than hollowing them out, a critique often levelled against project aid (Radelet, 2003).

4. Taking governance seriously: Millennium Challenge Account and Drivers of Change

In the new millennium, from these contrasting backgrounds have emerged two new formulations of aid policy in the USA and UK that purport to take governance seriously. While the attention to governance is not surprising given the wider shift in aid policy since the early 1990s, the distinct conceptualization of how governance is understood, addressed and incorporated into their concrete aid policies is interesting. It is here that we consider the Bush administration's big-budget flagship scheme, the Millennium Challenge Account (MCA), in relation to DFID's more eclectic analytical approach to reshape current aid policy, called Drivers of Change (DOC). These emerged at the same time, 2002 and 2003, as responses to the problem of how to deal with poor governance.

It is necessary to clarify the rationale of this comparison further for two reasons. MCA is not the only official initiative with respect to aid and governance in the USA- USAID also pursues a sophisticated programme on governance, through its Office of Democracy and Governance[14]- so why should it in particular warrant comparison with an initiative by DFID, UK's sole agency for bilateral aid? This is further complicated by the indisputable fact that in comparing MCA with DOC, we will not be comparing like with like. Prima facie, MCA represents a major institutional innovation within the administration of US development assistance with a clear potential impact upon the future of USAID. It is well publicized; indeed given its flamboyant announcement at Monterrey, it denotes the institutional self-

representation of a powerful actor that wishes to be seen as a concerned donor[15]. DOC on the other hand is the reflection of an internal procedure within UK's existing aid administration and of yet unproven practical relevance (we do not still have concrete evidence of its effect on the geographical distribution or selectivity of UK's bilateral aid). Also, quite unlike the MCA, DOC may have acquired wide currency within DFID, but has not been generally publicized by the government in the popular press. This is in a country where the media plays a visibly pro-active role in promoting the cause of international development and poverty reduction.

And yet, we think the comparison is relevant and significant for two reasons. First, both MCA and DOC were expressly devised by their respective administrations to grapple intellectually with the challenge of how donors should address the problem of poor governance in recipient countries, especially as articulated in the World Bank's 1998 Dollar Report. Moreover, we argue that their very different institutional manifestations (the stand-alone character of the MCA, detached from USAID, with its hard-nosed approach towards foreign assistance compared with DOC, as DFID's sophisticated empirically specific approach) are important to consider since they reveal the particular configurations of historical, political, ideological and institutional circumstances in their respective countries. Telling their stories in contrast shows how the actions of donors are deeply embedded in the greater politics, history and culture of their respective countries (Lancaster, 2007), and critically, their current positioning in international political economy. This is a lesson for donors hoping to mimic each other's governance strategies.

The second reason justifying this comparison stems from the experiences of MCA and DOC since their initiation. MCA has found it difficult to disburse money in keeping with its ambitious targets and although DOC continues to be popular within DFID, it is still not clear how it is being operationalized. We investigate into some of the key constraints experienced by both donors in implementing their respective initiatives and explore the degree to which these constraints throw light on some general issues affecting all donors in their treatment of

governance through aid. We posit that three issues merit particular significance in shaping the aid policy of all donors: selectivity, practicability and legitimacy. We consider the extent to which these factors ensure that two initiatives as conceptually distinct as MCA and DOC are rendered practically similar in implementation, but also the prospects for producing very different outcomes. First though, let us briefly review the two initiatives in question.

Millennium Challenge Account (MCA)

At the Monterrey UN Financing for Development Conference in March 2002, President George W Bush proposed establishing the Millennium Challenge Account (MCA), a foreign aid program designed to provide substantial new foreign assistance to low-income countries that are 'ruling justly, investing in their people, and encouraging economic freedom'[16]. This momentous offer called for an additional increase in official development assistance (ODA) by $5 billion a year, phased in over a three-year period: $1.7 billion in 2004, $3.3 billion in 2005, and $5 billion in 2006 and each year thereafter. Despite budgetary limitations and slow disbursements of aid monies, MCA is being perceived as a 'trend-setting mode' of managing aid (Radelet, 2003; Soederberg, 2004). Its proponents claim that MCA brings with it the opportunity to significantly improve the allocation and delivery of US foreign assistance programs, previously typified by USAID's highly bureaucratic administering of heavily earmarked aid[17]. As a result, MCA is a lean100-staff operation, housed not within USAID, but in a new corporation, the Millennium Challenge Corporation (MCC) chaired by the Secretary of State (raising concerns about its capacity to administer such a large sum). Its CEO would be nominated by the President and approved by the Senate.

There is also the clearly articulated view within aid circles, and one that is vigorously supported by conservative think-tanks like the Heritage Foundation, that 'the failure of US official development assistance is not, as some have argued, due to lack of funding', but 'in many cases, this failure is the inevitable consequence of aid's having been directed towards governments that embrace misguided policies that undermine economic development, or

corrupt regimes that misallocate or steal the funds'[18]. MCA's proponents have made every effort to keep it out of USAID, which they associate with the slow and bureaucratic disbursement of aid monies and the lack of efficacy of aid in general. MCA aims to change all that. It is heavily focused on economic growth and poverty reduction, with the central idea that strong policies and institutions must be in place to foster such objectives and for aid to play an important supporting role. Further, it is based on a rationale of pristine selectivity: only countries that have successfully demonstrated, largely through quantifiable scores, that they meet *all* 16 indicators spanning the three broad eligibility criteria listed earlier will be eligible to receive aid[19]. MCA is different from previous attempts at selectivity in two important ways: it proposes to use a public, transparent process to select countries to receive aid and recipient countries must meet all the criteria *before* they qualify (Radelet, 2003)[20]. This is unlike most other programs in which aid is contingent on policy conditionalities. In fact, MCA takes the recommendations of the Dollar Report, to give aid selectively only to countries with 'good policy environments' to their logical extreme. The recognition in the Dollar Report that 'aid can nurture reform in even the most distorted environments, but it requires patience and a focus on ideas, not money', is blatantly missing in the MCA (1998, p 4).

Thus, while countries with 'inadequate' policy environments are not supported by MCA, aid delivery to non-MCA countries flows either out of strategic factors (such as to the Middle East or Central Asia) or through USAID funding dedicated increasingly to health, education and other development programmes (but not economic growth or private sector development, which is increasingly the focus of the MCA, we return to this point later). Equally, according to the present rules, if a country is eligible in one year, it must continue to meet the criteria in the subsequent year to receive funding from MCA, which poses the danger of disrupting work in progress[21]. In principle then, MCA seeks consistently good performers each year, and Killick (2005b) rightly asks if there are so many countries, among those needing aid, which meet these strict criteria?[22] The danger in this approach, he continues, 'must be that the "good

guys" get swamped, but that the "not-very-good guys" get a lot more too, with all that would mean for the effectiveness of the assistance provided' (2005b, p 18). In reality, whereas US development assistance to MCA countries shrunk by 9% from 2002-2006, non-MCA countries witnessed reductions of 25% over the same period, lending some support to the thesis that US development aid is being given 'preferentially to "good" performers', but also that there have been extraordinary budgetary demands owing to disasters like Hurricane Katrina and the US-led invasion in Iraq, all of which have cut into core development aid (Brown, Siddiqui and Sessions, 2006).

MCA claims to be purely results-driven and monitored, on the basis of concrete proposals submitted by the recipient countries, which are approved by an MCC supervised review process, and then serve as 'compacts' (or contracts) with clear expectations on both sides and definable outcomes. These contractual relationships are presented as creating a 'genuine partnership' with recipient countries (Radelet, 2003). Nevertheless, it remains that selectivity, despite its quantitative eligibility criteria, tends to be subjective. In fact, the 'choice and construction of particular performance indicators; their monitoring and measurement by neoliberal American and American-dominated institutions… problems with data accuracy and reliability' (Mawdsley, in press) have all been abundantly criticized. Former World Bank research economist William Easterly (2006) points out how in June 2005, the MCC had reached agreements with two countries: Honduras and Madagascar. Yet, in 2004, Honduras' government was ranked by the World Bank as among the worst third in the world for corruption, while Madagascar was in the middle. The other problem, Easterly notes, is the imprecision of these corruption ratings; the 'World Bank reports the margin of error of its estimate, and 57 other countries lie within the margin of error of the Madagascar rating on corruption' (2006, p 156). This illustrates the difficulties for external agencies to reach consensus on which countries are better governed. MCA's claims to neutral selectivity on purely technical criteria are also suspect on account of the inclusion of countries like Colombia, Egypt, Jordan, Turkey and Russia in the third pool of countries that are eligible to

compete, as this implies that the risk of countries being awarded or denied MCA funds will be determined to a greater extent by political and strategic criteria rather than the announced MCA criteria, while also reducing the funds available to the poorest countries (Mawdsley, in press). This likelihood is only enhanced by the fact that the US Secretary of State is the Chair of the MCC board.

MCA has been plagued by a slow start and slow disbursements. The administration took two years just to set up the corporation, which finally 'opened its doors' in February 2005. In 2004, 2005 and 2006 there were 16, 17 and 23 eligible countries respectively, but MCA compacts have been signed only with 9 of those countries (as of August 2006) (Brown, Siddiqui, and Sessions, 2006). This illustrates the important point that eligibility is no guarantee that a country will definitely receive MCA compact funding. 'Being eligible gives select countries the opportunity to submit a compact proposal based on national development priorities' (Browns, Siddiqui, and Sessions, 2006, p 7), but the process of its winning MCA money depends on budgetary constraints and subjective judgments. An MCA recipient must continue to meet the quantitative minimum to determine eligibility even after it has been successful once. The President requested only $3 billion and Congress appropriated only $ 2 billion to the MCC for the 2007 financial year, which is the highest allocation so far, but still way behind the original aim (Brown, Siddiqui, and Sessions, 2006).

Later in the paper, we investigate the extent to which the deductive view of governance (and its relationship with the use of aid for poverty reduction), as embodied within MCA, is a product of particular historical, political, ideological and institutional circumstances in the USA. If MCA is inclined towards a universalistic view of governance founded firmly on neoliberal principles, then DOC espouses a more complex, case-specific and empirically grounded approach, appearing thus to be its formidable conceptual antithesis. But to what extent is this challenge tempered by thorny questions around aid delivery, effectiveness and partnership?

Drivers of Change

The Drivers of Change (DOC) is an analytical approach developed within DFID to enable it to 'interact with the politics of development' (Warrener, 2004, p 1). At the heart of DOC is the proposition that reducing poverty is about intervening in historical processes and not simply rational planning. It reflects the wider recognition within DFID of the inherently political nature of the implementation and efficacy of aid. Within DOC, governance is conceptualized as a phenomenon that is fundamentally mediated by the interaction of agents (individuals and organizations pursuing particular interests), structures (history of state formation, natural and human resources, social-economic structures, globalization etc.) and institutions (informal and formal rules concerning the behavior of agents), and there is an attempt to go beyond the predominant 'good governance' donor agenda[23]. In sharp contrast to MCA, DOC is driven by the idea that each country has its own particular agents, institutions and structures that drive change, and these need to be understood and addressed. Also, quite distinct from MCA is the issue of how the donor itself is positioned in relation to aid and its outcomes. While MCA espouses a ruthlessly scrutinized business-like, target oriented approach underpinned by 'contractual' obligations of the recipient country (its proponents are now claiming the 'MCC effect' to describe incentives for policy reforms undertaken by MCA's aspirants), DOC claims to be in favor of 'realism', of donors' accepting that change may only be incremental, overly ambitious agendas do not work, and their ability to induce change in the overall context of a country's history may after all be very limited.

The abstract, conceptual overtones of DOC unmistakably stand out when viewed against the sharply focused, normative principles of MCA. The approach is the product of a series of intellectual developments in DFID, formulated in response to the challenge of the MDGs. The coming to power of the Labour Government in 1997 and the appointment of Clare Short as Secretary of State for International Development proved to be most conducive to the creation of a critical analytical space within DFID, within which 'governance advisors'[24] were encouraged to do 'good political analysis'. Clare Short highlighted the roles of DFID in

leveraging the 'big players' (World Bank, IMF, UN, USA, EU) to perform better and tackling aspects of globalization ranging from trade and finance to money laundering and conflict. This demanded deeper understandings of international relations and political economy. Subsequently, a series of key papers on the interrelationships between donor engagement, country politics, and the prospects for pro-poor change were commissioned (Moore and Putzel, 1999; Unsworth, 2001). With Short's encouragement, DFID London followed this up with numerous visits to their different country offices to broaden consultations. In 2003, a new DOC team within the Policy Division 'slotted into what was already a fast-growing "grassroots movement" for the approach within DFID' (Warrener, 2004, p 5). In the meanwhile, other donors too had become interested in similar political analyses, and by 2004, DFID's DOC was one of several such 'tools' that were discussed in a workshop organised by OECD's Development Assistance Committee.

In practice, the DOC approach has led to the commissioning of broad-based country-specific political analyses by DFID country offices- with commissioned inputs from external consultants- to inform the development of their country-assistance plans (CAP)[25]. The key theoretical premise guiding these studies is that there is no single path to a 'developmental state' and DFID must look for ways of supporting a 'wide-range of internally-led processes'. The studies are being conducted around a set of structured questions about the dynamics of pro-poor change beginning with 'basic country analyses', but moving onto medium-term analyses, which will be the basis for tangible initiatives (Moore, 2001)[26]. In essence, DOC studies aim to uncover the 'incentives' (both of individual and collective agents, including external actors like donors) created by the structures and institutions described in the basic analyses, and their corresponding capacities to 'promote or block significant change'. Evolving thinking within the DOC team also (controversially) suggests that the initial focus should be on significant change, and not pro-poor change per se, since 'it is not obvious in general or in advance which sorts of progress are most favorable from the point of view of massive, rapid or complete poverty eradication' (DOC Team, DFID, 2006, p 17). The attempt

to identify 'drivers' of change signals therefore the need to collaborate with those 'driving' change, such as elites, as well as important actors not typically involved in donor activities, such as political parties (see Hossain and Moore, 2002). The rationale is that only when donors recognize local agendas will there be the possibility of change[27].

The DOC approach is conceptually savvy and has come as a welcome relief to DFID staff members in many country offices for its recognition of 'political obstacles' (Warrener, 2004, p 5). However, for all its laudable regard of complexity, could it be that the DOC initiative is and will remain 'a low-profile internal procedure in which staff attempt to answer critics and their own frustrations while drawing on their practitioner knowledge'[28]? While DOC has been increasingly mainstreamed within DFID itself, obtaining wider approval amongst its analytically inclined policy-makers, it faces a number of serious challenges arising from the core tensions of doing aid and aid partnership. There are at least three issues of relevance[29].

The first is the tension between incremental change, as (DOC purports is) all that donors can realistically aim to achieve, and the need for donor governments to engage in high profile and ambitious rhetoric on aid and poverty reduction. MCA of course is an outright example of the latter. But even in the UK, the recent Make Poverty History (MPH) campaign, with which Blair and Brown were actively involved, was fervently rhetorical about all that coordinated action through increased aid, fairer trade and complete debt-relief could achieve. The problem with this sort of initiative, as several DFID and ODI insiders commented, is that it severely compromises complexity for clarity, i.e. the complexity of underlying issues is sacrificed to obtain a clear, simple and publicly appealing message[30]. The latter is imperative however for policy agendas to work, which is precisely why ambitious and unambiguous claims continue to be made by policy makers (Mosse, 2005). This sort of tension is clearly played out with respect to DFID's DOC, which does not therefore constitute the main message on aid and poverty reduction by Her Majesty's Government[31].

The second is the tension between the need for a greater understanding by DFID (and donors generally) of domestic politics in recipient countries and the danger in being explicit about such an understanding. DFID places utmost importance on promoting a 'shared understanding' among its staff members, other donors and the public, and yet, publicizing information may not be the easiest of things to do, especially if it is critical of a recipient country's government[32]. Thus, while it is true that donors like DFID cannot escape the 'messy world' of domestic politics, politicians and incentive structures that underpin all development processes, they cannot be explicit about it without jeopardizing partnership.

The third is the tension between understanding particular institutions, agents and structures that are driving change and actually addressing them. While DOC studies arrive at detailed analyses of the incentives and capacities of different agents, 'it is not yet clear to the DOC Team whether…country offices will be able to identify suitable entry points for action based on the understanding acquired' (DOC Team, DFID, 2006, p 23). The DOC approach 'tries to lead DFID, and other donors, away from conditionality-based relationships resting essentially on financial *force majeur* in more subtle, time consuming and labor intensive directions' (Killick, unpublished paper, p 6); and yet, the truth remains that donors, DFID included, 'face a whole range of bureaucratic pressures: to meet spending targets…to be seen 'to be doing something' about the vast and intractable challenges faced by developing countries' (Unsworth, 2005, p 15). This conundrum is only exacerbated with growing pressures to double aid to Africa by Her Majesty's Government, prompting fears that these could lead to the 'dumbing down' of DOC[33]. Incremental strategies do not fit well with transformative goals and the need to allocate high volumes of resources in a short time period. Each of these issues is pertinent not only to DFID, but to donors more generally. With respect to MCA, these concerns are particularly worrying in that they signal the difficulties of attempting nuanced empirically grounded governance analyses that take into account the specificities of different settings, while also meeting targets for more and more aid[34]? Is it just more practicable for donors to follow a deductive framework that lends itself easily to action?

5. MCA versus DOC: Possible explanations of conceptual differences

There are fundamental differences between the positions of the USA and UK in the international political economy and these, it can be argued, explain why the MCA and DOC approaches are conceptually so different. The USA is the world's sole superpower and may be attempting to forge a 'new imperialism' to maintain its hegemonic position while managing the logics of territory and capital (and the rise of China and India that this has unleashed) with a post-Cold War historical legacy (Harvey, 2003). For the USA, global poverty reduction is a minor component of its foreign policy and national security agenda. By contrast, the UK is a post-imperial mini-power attempting to combine both Anglo-Saxon and European policy traditions with a historical legacy that gives it a relatively deep interest in global poverty reduction (because so many of its colonial possessions remain mired in poverty). We can understand their contrasting approaches on governance and aid in terms of many factors, but three are especially significant: their perspectives on global leadership for poverty reduction, the nature of their civil societies and the relative degree of autonomy/lack of autonomy of their international development assistance programs from other policy areas.

Global Leadership

For those with political power in the USA, and particularly for the Bush administration and its neo-conservative ideological support base, global poverty reduction is a mere footnote to their strategic interests. This is evidenced by the resourcing of its aid programme compared to its economic size and the vast budgets allocated to defence and security concerns ('the world's stingiest donor', in relative terms, according to Soederberg, 2004, p 280), its decision not to take a lead position in global poverty reduction events and its assault on the UN's MDG Review Summit in September 2005[35]. But, the world's only superpower has to articulate a position on global poverty, as it cannot publicly state that global poverty is only a minor issue for it. In contrast to other issues it has gone for an ambivalent stance – opting neither to take a lead (as it has for 'the war against terrorism') nor to take an oppositional position (as it has on global warming). For the USA, global poverty reduction merits acknowledgement (Bush

turning up at Monterrey in 2002, promises of new funds and new initiatives) but no significant effort. This is a continuation of its historical position. Even when it signs up to multilateral commitments to increasing aid it seeks to do this in a bilateral way by avoiding giving additional resources to core UN agencies and even not trusting its own lead agency (USAID)[36]. Perhaps, its greatest commitment to global poverty reduction has been surrendering the services of Paul Wolfowitz to be President of the World Bank[37].

In the UK, things have been quite different. Its leaders, Blair and Brown, have systematically chosen to give global poverty reduction a high profile in national and international arenas, elevating the role of the Secretary of State for International Development, increasing aid funding during a period of fiscal restraint (1997 -2000), making poverty the centre piece of the UK's chairing of the G8 and the EU Presidency in 2005 and convening the Commission for Africa. While following what focus groups think has been central to the Labour government on many issues, this has not been the case on global poverty reduction and aid – they have chosen to lead public opinion rather than reflect it. Both compassion and self-interest have shaped this stance. Without doubt, a personal moral commitment (both humanist and religious) has been important for Blair, Brown, Short, Benn and many other senior Labour politicians. But, it has also played well nationally and internationally – giving a compassionate image to a leadership that has gone to war with Iraq and helping to persuade the Old Labour 'left' that New Labour can be distinguished from the Conservatives. This stance has turned out to be a vote winner. In the 2005 elections, the Conservative opposition (extraordinarily) found it necessary to match Labour's financial commitments to an increased aid budget and the recently elected leader of the Conservative Party strategically chose to launch his 'policy task forces' with a Global Poverty Task Force. In stark contrast to the USA, British political leaders find that global poverty reduction is a low cost/high return issue in terms of generating public support. These political and ideological circumstances have contributed to a general support for more DFID autonomy and the nurturing of creative approaches, like DOC, to address the challenge of governance and global poverty reduction[38].

Civil Societies and Global Poverty Reduction

A second factor for explaining the differences between the US and UK stances on governance and poverty reduction relates to their differing civil societies and the ways these shape public opinion. In the USA, civil society is much more suspicious about the use of welfare provisions, grants and subsidies for poverty reduction than is the case in the UK. This applies to both national poverty reduction and international poverty reduction. Alice O'Connor (2003) examines this in detail for US policy on domestic poverty reduction and Carol Lancaster (2007) explains the way in which US civil society's domestic policy preferences shape its foreign policy. In addition, while the UK media (especially its broadsheets) generally give official foreign aid and NGO poverty reduction programmes supportive coverage, the US media treat foreign aid and NGOs with much more suspicion and appear to delight in highlighting examples of development programmes failing. While both US and UK publics are concerned about foreign aid being wasted, in the UK this is mainly an empirical issue, but in the USA there are the additional ideological concerns of aid discouraging poor people from 'working their own way' out of poverty. This impacts heavily on the policies and approaches that aid agencies can propose and adopt (especially because of the nature of the voting process in the Congress, as discussed earlier). USAID has been regularly subjected to hostile attacks from Congress, leading politicians, interest groups (especially agricultural interest) and influential, right wing NGOs/think tanks[39]. USAID officials are (willingly or unwillingly) forced into very tight accountability and performance measurement frameworks that foster programs that are non-welfarist, do not challenge any powerful US-based interest group and promise technically specified solutions to the problems of poverty. Little wonder then, that MCA is premised on a tightly supervised deductive framework, where public demonstration of the proper utility of aid is as, maybe more, important than the actual reduction of poverty in the recipient countries.

At the heart of it, the most powerful voices in US civil society are not really committed to the MDGs that underpin multilateral action to reduce poverty[40]. This is a view shared by many in

USAID. As Andrew Natsios, the Head of USAID until recently, states 'What is needed is a proper emphasis on economic growth as a necessary condition for social services and not vice versa' (2006, p 134). US civil society, and many of its aid bureaucrats, see the MDGs as excessively 'European' in their promotion of rights to welfare and social security ahead of individual enterprise and economic growth. The Princeton philosopher Peter Singer writes '…it is hard to dismiss the consistent findings that Americans are woefully ignorant about their country's dismal foreign aid record…. No recent American President, or Presidential contender…has ever tried to make foreign aid a major policy issue. America's failure to pull its weight in the fight against poverty is, therefore, due not only to the ignorance of the American public but also to the moral deficiencies of its political leaders (2002, p 185)'.

In the UK, the relationship between civil society and political leaders is very different. While public opinion is concerned about wasting aid[41], there is a strong and effectively organized set of development NGOs pushing for increases in aid and mobilizing public opinion[42]. This creates a supportive base for increasing aid commitments and for DFID's staff and policies. Although DFID too needs to demonstrate impact, there are fewer pressures to do so following the increased recognition that in direct terms, British aid can only make a limited contribution to global poverty reduction. During Clare Short's ministerial period, the dominant idea was that the main role of British aid had to be leveraging more international resources into development and influencing the 'big players' (World Bank, IMF, UN, USA) so that their strategies could contribute more to poverty reduction. Indeed, DFID's formulation of the DOC approach suggests that the UK can make a real stake to global leadership on aid thinking through creating knowledge and ideas rather than pumping in big money, where the US will always have the upper hand. All this has meant that the Drivers of Change analytical framework has achieved 'covert' legitimacy – the country's politicians and aid bureaucrats have the freedom to experiment with such open-ended methods, without worrying about a public backlash. And yet, it is also true that the Government's public message on aid remains a lot more simplistic and ambitious than DFID's DOC.

Official Development Assistance (ODA), Poverty Reduction, Foreign Policy and National Security

Finally, we need to consider the differing relationships between ODA, foreign policy and national security in the UK and the USA, as they are particularly significant in explaining the relative degree of autonomy/lack of autonomy of their international development assistance programs from other policy areas. This section builds upon our previous discussion in Section 3. Under the Conservative governments of the late 20th century (1979-1997) UK aid policy sought to achieve three goals simultaneously – development, foreign policy and promotion of UK commercial interests, pretending there were no trade offs[43]. This has changed under the Labour government (refer to Section 3 for more details). One would be naïve not to think that UK foreign and national security policy issues have absolutely no influence on British aid policy, but it is very clear that British aid now has an exceptionally autonomous position.

Things are very different in the USA where aid has long been a component of the larger project of foreign policy. When Natsios (2006, p 134) argues that 'the heightened importance of foreign assistance today to the nation's [USA] security puts it 'centre stage', we think he makes a mistake. Foreign assistance is not at the centre of national security; rather national security has been at the heart of foreign assistance since 9/11. That developmental concerns should play such a secondary role in USA's international development assistance should come as no surprise. From this perspective, MCA can be recognized as one of the Bush administrations 'soft power' strategies to achieving its foreign policy and security goals (Nye, 2002)[44]. MCA provides a means for the USA to claim that it is committed to efforts to reduce global poverty and can be cited to critics, both at home and overseas, as evidence of the USA's expanded contribution[45].

Soederberg argues that an initiative like MCA needs to be understood historically as a 'moment of American empire' (2004, p 280). She refers specifically to the contradictions inherent in global capital accumulation and the human insecurities that have arisen as a result

neoliberal globalization, to which American-led imperialism has responded largely through economic and physical coercion. These attempts drive the changing forms of American empire in relation to 'excluded states' that are not yet clearly within the orbit of global capitalism. MCA thus, is a tool for 'pre-emptive' development, which does the reverse of imposing conditionalities, i.e., it withholds funds until all demands for meeting neo-liberal goals (promoting economic freedom and the rest) are met, largely through quantitative forms of measurement. In this framework, 9/11 and the dramatic events that it unleashed are not viewed as the starting point of the momentous merger of security concerns with development, but as an element in a deep-rooted process of empire building and empire maintenance.

6. MCA and DOC: Where now?

The remarkable conceptual contrasts between MCA and DOC, the two institutional responses to governance problems facing the achievement of the MDGs, show how the actions of donors are embedded in the greater politics, history and culture of their respective countries, and critically, their current positioning in international political economy. Indeed, what is true for the recipients- namely that 'domestic politics almost always won out' (Devarajan et al, 2001; Killick, 2004) - is true for donors too[46]. We now return to a more troubling theme that was briefly explored at the end of Section 4, pertaining to the tricky issues confronting donors while addressing the challenge of governance in their aid policy. The experiences of MCA and DOC till date merit consideration here.

Four key issues best represent the implementation of MCA since its dramatic initiation in 2002. The first, as we have previously discussed, is the issue of slow disbursement; it is fair to say that MCA is still way behind target, and the administration is not planning to request the Congress for $5 billion until the 2008 financial year (this was originally envisaged to have been done by 2006). However, there are expectations that MCC is trying to 'iron out' many of the 'kinks associated with the slow start-up' (Herrling and Rose, 2007, p 1). The second is more significant as it pertains to the nature of MCA funding so far. Early analyses have

shown that MCA funding is not really acting as supplementary to core development assistance (as President Bush had announced); in fact, only Vanuatu and Cape Verde have been able to claim the 'full additionality' of MCA funds (Brown, Siddiqui, and Sessions, 2006). These authors further report that MCA eligible and compact countries have received progressively less core development assistance from 2002-2006, especially in the sectors traditionally funded through economic growth, agriculture and trade (EGAT) component of the development assistance account. This is because MCA funding is increasingly being focused on private sector development and economic growth. However, the implicit danger in such an approach lies in the fact that MCA funding is erratic (eligibility does not guarantee a winning compact, and must be demonstrated every year); so reducing core development assistance (as for instance, through USAID sector cuts) may deprive a recipient country of much needed aid. A good example is Benin, where USAID's education programme has been significantly downsized relative to its stated country plan, yet the MCA compact has no education component (Brown, Siddiqui and Sessions, 2006).

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The third issue concerns the nature of consultative processes that ostensibly underpin the formulation of 'compact proposals' by MCA eligible countries. In tune with the more general trend towards 'partnership' between donors and recipients and country ownership of policy reform, MCC too demands that these proposals ought to be formulated after appropriate consultations amongst relevant stakeholders. There is little evidence of extensive consultations (Mawdsley, in press, p 14). Brown, Siddiqui and Sessions (2006) have confirmed that all of the 9 MCC compacts focus on various aspects of agricultural development, private sector development and economic growth, and it is difficult to believe that all MCC consultations came up with the same ideas. Finally, MCC compacts give full expression to the neoliberal principles that they espouse. Mawdsley (in press) presents a devastating critique outlining how these compacts do not acknowledge that economic growth might promote inequality or that the poor may be subject to short or long term risks associated with neoliberal growth strategies. Further, she argues that none of the compacts

reviewed offer any detail on how these projects might be effective in reducing poverty in the absence of any plan for redistribution or social welfare.

Although MCA has been subject to a slow start, it is still possible to see the trajectory it is following in guiding US aid policy. Things are not as clear with DFID's DOC. To begin with, there are conflicting signals regarding how significant the initiative continues to be even within DFID. On the one hand, the dedicated DOC team has been disbanded since 2004, and 'responsibility has been absorbed into the "Effective States Team"' (Scott, 2007, p 86). On the other, all team and country offices have been prompted to use this approach, both through formal studies as well as 'using the concepts in their daily work' (Scott, 2007, p 86). Yet, despite proclamations by DFID staff about their continued popularity, there are no clear answers regarding exactly *how* these studies have been operationalised into concrete strategies. Equally, there is no evidence yet on the precise ways in which these studies have impacted decisions regarding the increase, continuation or decrease of aid to particular countries (indeed, this merits separate investigation). Nevertheless, DFID appears to be taking its DOC initiative seriously and has commissioned further work to refine its analytical tools (see Leftwich, 2006).

The practices followed in conducting these studies so far do not indicate that DOC studies mark a radical departure from the usual practices of knowledge-creation by donors. Firstly, and quite paradoxically, despite their commitment to mapping country politics in all its complexities, these studies are primarily conducted by UK based consultants[47]. Second, these studies lay their faith on incremental change and ostensibly plead with donors to discard ambitious rhetoric, but the very task they adopt, i.e., documenting the 'drivers of change' through a study of structures, institutions and agents in each country, is ambitious beyond belief! Often, the remit of such a study lies well beyond the time, skills and insights available to consultants carrying out such studies. Perhaps the move to narrow down the scope of DOC country studies, down to sub-national and sectoral levels comes partly in recognition of this.

7. Conclusion: The 'impossibility' of governance for donors in aid policy

The attention to governance by donors came with the growing recognition that political issues mediate all development processes and this triggered off serious attempts by donors to conceptualise governance in their aid policies. MCA and DOC are similar in that they both try to devise strategies for giving aid while taking governance considerations on board, and dissimilar in that they attempt to do so differently. MCA is fairly clear that what counts as good or bad governance must be universal across countries, views domestic politics in recipient countries suspiciously and in the process rests on indicators produced by western, pro-market institutions to produce a yardstick for assessment. DOC rests on the opposite view, rejecting sweeping judgements about governance in particular contexts and espousing the somewhat instrumental position that donors must work with whichever agents and institutions 'drive change' in recipient countries. Their institutional expressions are very different. MCA is flamboyant, well publicized, flush with funds and executed through a brand new corporation that views the messy landscape of US aid agencies with disdain. DOC is a little known internal procedure that gained much popularity within DFID's highly qualified staff members, who had been frustrated by the dominance of a technocratic paradigm and welcomed it therefore for its explicit treatment of politics. In a metaphorical spectrum of possibilities available to donors conceptualising governance, these were surely at two different ends.

The formulation of these respective initiatives serves as a useful explanatory lens with which to view the guiding historical, political and institutional factors impacting upon aid administrations in the two countries. This approach deserves more emphasis than it has conventionally received[48]. This paper adopts an international political economy perspective to explain some of these differences. The USA is the world's sole superpower, its G1, forging what David Harvey (2003) terms a 'new imperialism' to maintain its hegemonic position. For it, global poverty reduction is a minor component of its foreign policy and national security interests. The UK is a post-imperial, mini-power with an historical and colonial legacy that

gives it a relatively deep interest in global poverty and social forces that are keen to focus public attention on global poverty reduction. This basic difference is further substantiated in three respects: with respect to leadership, the role played by dominant forces in the civil society and the relationship of aid policy to other policy areas. The paper has explored each of these to understand how the Bush administration devised the MCA to do something for poverty reduction while not being seen to compromise a publicly acceptable stand on aid effectiveness through the adoption of stringent governance criteria. In contrast, the centrality of poverty reduction to public consciousness and the Labour government's commitment to creating an autonomous aid administration are conducive to the articulation of a sufficiently nuanced approach to tackling governance issues in aid implementation; though paradoxically, the same factors of DFID autonomy and the popularity of poverty reduction as a moral and cherished objective ironically allowed Blair and Brown to continue to engage in aid rhetoric that did not include the subtleties of DFID's intellectual manoeuvrings. It is interesting and important that two powerful donor nations that are committed to poverty reduction in the new millennium are differently constrained or enabled to tackle the challenge of governance in their aid policies.

However, the experience of these two initiatives to date also throws up dome disturbing issues. These merit consideration for they illuminate the enduring constraints integral to the nature of aid which make it virtually 'impossible' for donors to tackle governance issues seriously and concertedly. First, all donors need to be selective as they have only limited resources. The Dollar Report 1998 privileged selectivity over conditionality as a lending philosophy, even though most donors practise combinations of both (Lockwood, 2005). It is fair to say that MCA and DOC do represent different approaches to selectivity, and it may be argued that *both* these approaches 'can serve a useful function in making better informed, or more consistent, transparent judgments about the basis for selectivity'[49]. Unsworth writes of the DOC in particular, that it enables 'trade-offs' to be managed differently 'through longer time horizons' and more 'realistic starting expectations' (2005, p 16). Killick too endorses

selectivity through DOC, but his argument is far more pragmatic. Referring to DFID's attempt to acknowledge local ownership and understand local politics, he observes, 'And since the reality of local political processes will quite often not be supportive of the type of trust-based partnership relationship desired by DFID, it also points to the desirability of being selective in the choice of government to be supported with policy-related programme aid' (Unpublished paper, p 6).

However, it is clear from the experiences of both MCA and DOC that a number of factors constrain selectivity, irrespective of the discourse on governance. MCA's hard-nosed and ostensibly transparent criteria for governance selectivity is mediated by budgetary considerations which in turn are influenced by strategic factors and unforeseen disasters that claim resources. There is also growing evidence to show that MCA type selectivity in choosing from within the eligible countries is very likely influenced by subjective considerations (see the Honduras and Madagascar examples cited earlier). As for DOC, a part of its attraction rests precisely in that it is subjective, and in theory, DOC studies could be used to argue different cases (aid to continue, increase, decrease or stop), sometimes even to cope with decisions that have already been made[50]. It would be very difficult to ascertain precisely which factors influence such interpretation at a point of time, and budgetary as well as strategic considerations may very well play a part. This too is another area that demands separate investigation. Moreover, there may always be issues that can tip the fine scales of governance-driven selectivity, issues like human rights violations that do not go down well in public discourse, and governments do not like to be seen to be supporting errant regimes (the recent suspension of aid by DFID to the Ethiopian government is a case in point).

Secondly, all donors need to produce practicable strategies and clear outcomes. MCA clearly scores over DOC in this respect since it presents a practicable strategy that is now in its third year of implementation. We have a clearly observable process with all the components of a functioning policy: a dedicated organisation, explicit criteria, proposal-making, eligible and

winning countries, and disbursements for concrete projects. Somewhat unsurprisingly, governance here is closely associated with a reaffirmation of neoliberal economic values, not just in discourse, but in concrete terms too. Each of the 9 MCC compacts signed so far is emphatic on economic growth and private sector development which will ostensibly lead to poverty reduction, but there is no thinking on exactly how this will happen or on safeguards for the poor who may suffer during processes of 'transformative development'[51] that economic freedom is expected to unleash (Mawdsley, in press).

In comparison, DOC is definitely weak in terms of translation into concrete strategies. It was formulated more as an analytical apparatus to allow DFID to 'interact with the politics of development' ((Warrener, 2004, p 1), but its experience begs the question of how exactly this is happening. The process of consultation leading to several of the country studies appears to be rather limited, circumscribed to UK-based consultants, and DFID has found it difficult to even publicise its findings for fear of offending key actors in particular countries (like the India study). Equally worrying is the tone of analysis that seemed to be dominating the country studies. Despite the attempt to discuss governance in politically sophisticated terms, many DOC studies offer a highly instrumental and technical reading of socio-politics in terms of structures of incentives to manipulate. This reflects the underlying imperative for DFID to find an actionable strategy within the messy world of domestic politics. Many DOC study authors employed a common framework of neo-patrimonialism to understand the many types of political systems and governance arrangements that exist. Neo-patrimonial systems are described as 'patronage based, with political elites using the resources of the state to reward supporters, often defined in personal, ethnic or religious terms, thereby to consolidate their own hold on power' (Killick, unpublished paper, p 1; others like Van de Walle 2001; Lockwood, 2005 have lent academic weight to this idea). While this framework may have its own merits for particular analyses, the tendency to overstress neo-patrimonialism as the pre-eminent governance feature in developing countries (especially Africa) can well become reductionist[52]. There is little space in this framework for how complex processes of social

differentiation, exclusion and inclusion, account for class formation for instance (see Peters, 2004), and of the unequal global context of the relations between richer and poorer countries[53]. It is possible that more recent attempts to refine DOC will overcome some of these limitations (see Leftwich, 2006 for an account of a revised 'political systems' approach to use in DOC studies).

Third, all donors need to seek wider public legitimacy for their aid policy. Aid monies quite simply come from taxpayers and governments need to adopt a simple and appealing message to the electorate on the subject. The analysis in this paper shows how this imperative clearly shapes governance considerations in their aid policies. DFID's nuanced and complicated ideas on governance contained in DOC could not constitute the government's principal message to the public on aid and poverty (as opposed to the clear motto of the recent Make Poverty History campaign which the government adopted as its own). In this respect, the Bush Administration's MCA strikes the right chord with a domestic constituency that can perhaps be persuaded that the US is the Good Samaritan giving aid money to poor people, but wants to reiterate the neo-conservative position that aid is not for wasters. An auxiliary point is that intractability and sensitivity of data in both cases (MCA and DOC) makes it difficult to contradict this simple message with rigorous and refined analysis of what actually goes on beneath this public rhetoric (see Brown, Siddiqui and Sessions, 2006, p 8).

Each of these factors reiterates the immense difficulties confronting donors in conceptualising governance and governance-driven selectivity in particular in their aid policies. DFID's attempt to formulate a nuanced view of governance that is also more pragmatic in its support for incremental change is laudable in many respects, but the tensions discussed here may explain the lack of clarity regarding its present form and future prospects. MCA on the other hand 'succeeds' in providing an actionable framework for governance-driven selectivity, but only so long as we do not question the precise attention to governance within its catacombs of quantitative criteria, budgetary demands and unstated strategic considerations. Besides, even

MCA has found it hard to function smoothly, disburse money on time and select countries without stirring controversy. Since it is not yet clear if and how DOC has impacted upon DFID's aid decisions, it is difficult to assess whether it would result in a vastly different strategy than the MCA. While the potential remains, it is a matter for further enquiry. For the moment, Bush's MCA and other MCA-type approaches that adopt universalistic principles of governance disturbingly dominate, not only because they are more practicable but also because they reaffirm hegemonic neoliberal economic values.

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Figure 1: Aid Concentration Curves for Monetary Poverty 2000-2
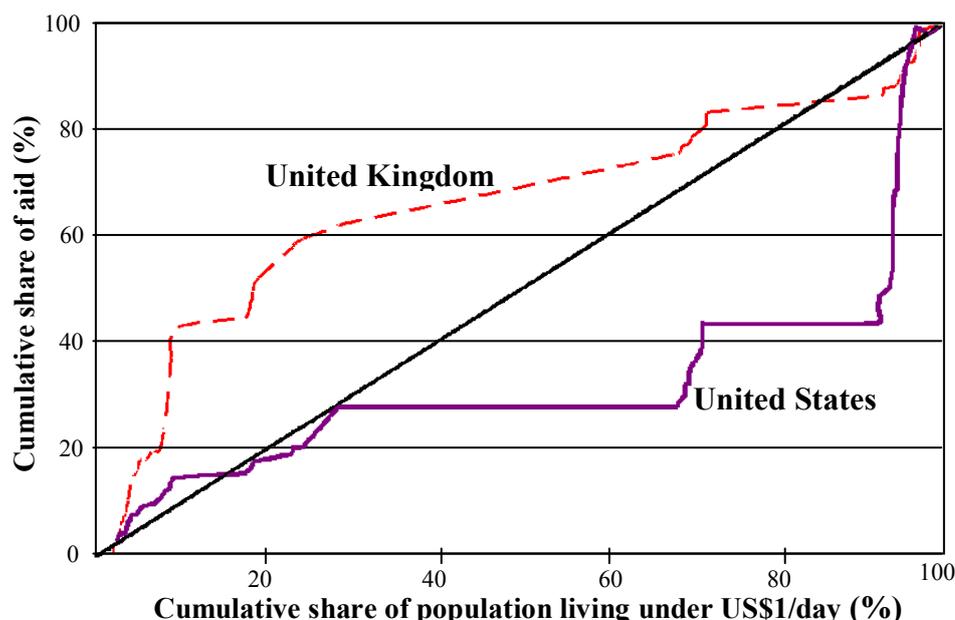
Source: Adapted from Baulch, 2006.

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[1] The paper relies mainly on secondary sources, including published articles and books, working papers and other online material. It also relies on semi-structured interviews conducted by the authors with a range of prominent policy makers and development consultants associated with DOC and DFID, based in London, and some telephone interviews with policy makers associated with MCA in Washington. The interviews were conducted in February, July and August 2006, and were followed up by email exchanges over March and April 2006.

[2] Other important WB publications endorsing this shift include Collier and Dollar (1999) and Devarajan et al (2001).

[3] The debate on the wisdom of increasing aid is particularly lively in the UK, with the ambition of Her Majesty's Government to double aid to Africa. See the special issue of the IDS Bulletin September 2005, edited by James Manor, on this subject.

[4] And yet, the countries where poverty appeared to have reduced most rapidly, India and China, really had little need for aid.

[5] See Hulme (2007) for a discussion of the processes that produced the MDGs.

[6] All references to foreign aid in this paper are to bilateral aid.

[7] In 2004-2005, US bilateral aid increased sharply because of allocations to Iraq and Afghanistan. See http://www.cgdev.org/doc/blog/USODA2001-05.pdf for more information.

[8] See Brainard (2006) *Security by other means.* This book explicitly frames US foreign aid as a 'soft power' instrument for a nation which is reaching the limits of its 'hard power' armory.

[9] A ministry was being returned to Cabinet rank for the first time in nearly thirty years (Young, 2000).

[10] See Brainard (2006), Chapters 1, 2, 4, 8 and 10 for an up to date discussion of this strategic problem.

[11] For example, faith-based groups are exercising a perceptible influence on the implementation of PEPFAR, the President's Emergency Plan for AIDS Relief (a five year $15 billion initiative implemented through USAID). See Formicola, Segers and Weber (2003) for an account of faith-based initiatives and the Bush administration.

[12] For a discussion of the problems with this approach, see Radelet (2003).

[13] It is nevertheless true that many SWAPs end up as projects of some kind anyway (David Mosse, Personal communication via email, March 2006).

[14] http://www.usaid.gov/our_work/democracy_and_governance/

[15] We are grateful to David Mosse for this observation in a seminar at the School of Oriental and African Studies in London, January 31, 2007.

[16] For details of the President's speech, see http://www.whitehouse.gov/news/releases/2002/03/20020314-7.html At the same time, he also announced a $15 billion budget (over 15 years) to fight HIV/AIIDS. There are unconfirmed accounts that the MCA was a 'back of the napkin' idea dreamed up by George W Bush and his advisers only a day or two before his speech. There was no discussion with the State Department or the Treasury prior to the announcement. Afterwards, Steven Krasner, the Stanford-based conservative-realist Political Science Professor was roped in by Condoleezza Rice to work on the details of the MCA. We were narrated the story of how Krasner was unwilling to talk about this project at private dinner meeting including people working on similar themes (such as members of prominent NGOs in Washington D.C.). Apparently, Krasner feared opening a 'Pandora's box', if the news leaked, as it would leave the MCA vulnerable to pressures to include various different criteria.'

[17] As our research progressed, it became evident from interviews with observers and staff of USAID that it has been 'broken' for 20 to 25 years. However, no administration has felt that USAID merits serious efforts for fundamental reform.

[18] http://www.heritage.org/Research/TradeandForeignAid/bg1602.cfm.

[19] In the first year, countries eligible to compete for funding include those with per capita incomes below $ 1435, which are also eligible to borrow from the World Bank's concessional lending window (there are 74 such countries). It was proposed that in the second year, the IDA eligibility criterion would be dropped and the remaining 13 countries with per capita incomes below $ 1435 would be added to the group, taking the total number of countries to 87. In the third year, the group would be expanded to include all 28 countries with per capita incomes between $ 1435 and $ 2975 making 115 countries eligible to compete. For further details of these criteria and the selection process, see Radelet (2003). See also the MCC website and the Centre for Global Development website for regular updates.

[20] These indicators are based on scores available from the World Bank Institute, Freedom House and Heritage Foundation among others.

[21] See Chapter 4 of Radelet (2003) for a detailed examination of present eligibility procedures. Lockwood remarks that selectivity in the case of MCA 'can be seen as a post-hoc conditionality' (2005, p 60).

[22] Indeed, having observed the political and administrative failures surrounding Hurricane Katrina, we suspect that some US states would find it difficult to meet all the MCA criteria.

[23] David Booth, ODI (Personal communication, London, February 2006)

[24] The Governance Department was formed in the mid-1990s and originally had a technical focus on civil service reform, financial management and auditing. Over time it began to recruit political scientists with interests in civil society and political change.

[25] Twenty-two such studies have been done so far. There are attempts to conduct DOC studies in particular sectors, as for social protection in Zambia. There is a possibility that DOC studies are becoming more refined and may become more numerous in the coming years.

[26] See also 'What does Drivers of Change mean for DFID?', A Draft Approach Paper, Drivers of Change Team, Policy Division, for more details.

[27] Sue Unsworth (Personal communication, London, Feb 2006)

[28] David Mosse (Personal communication via email, March 2006)

[29] David Mosse's comments on this subject are gratefully acknowledged.

[30] David Booth, ODI (Personal communication, London, Feb 2006)

[31] This tension is reflected in a speech on the 2nd February 2006 by Hilary Ben, where he sticks to the major issues of corruption and human rights in international development- which easily attract media and public attention- but also tries to weave in the more complicated dilemmas that donors are confronted with ('Just because poor people live in a country where corruption is a problem does not mean we should walk away'). In the recently published White Paper, the UK Government is openly emphatic about the 'good governance' agenda, advocating the use of a new 'quality of governance assessment' to guide the way aid is disbursed. The Drivers of Change initiative is not mentioned even once, although McLeod's (2005) *Review of DOC Country Reports* is referred to in a footnote to describe situations of 'improved' governance in a number of different countries.

[32] A well-experienced, high-level consultant to DFID, who remains anonymous, revealed that the India country analysis has not been publicly disseminated for precisely the fear of evoking an adverse reaction from the government (Personal communication, London, February 2006). It is also interesting that offending some governments may be perceived as less risky for DFID than others, a consideration that is influenced by a range of strategic issues.

[33] Sue Unsworth, Personal communication via email, April 2006

[34] Refer to a spirited debate between Howard White and Tony Killick (2005) on this subject.

[35] There is a countervailing view. This explains the policy choices of US administrations, and their reluctance to engage with debates on global poverty reduction, as being explained by their belief that poverty reduction will only be achieved by private sector-mediated, economic growth and that direct attempts to reduce poverty by

national, bilateral or multilateral government action is of minor importance. We do not believe that the evidence supports this alternative view.

[36] The two major innovations made in foreign assistance by the Bush administration, the MCA and PEPFAR, have both by-passed USAID and are 'determinedly bilateral in orientation' (Brainard et al 2003, p12). PEPFAR is a bilateral programme that has the same objective as the multi-partner Global Fund to Fight AIDS, Tuberculosis and Malaria which is US government supported. Even supporters of PEPFAR agree it has made the coordination of action to tackle HIV/AIDS more difficult.

[37] At the time of writing it looks as though Wolfowitz's contribution to the Bank may be hampered by his granting a pay rise and promotion to his girlfriend (see Financial Times 11 and 13 April 2007 for the articulation of a detailed case for resignation or dismissal).

[38] It is of course true that the atypical policy space in DFID, as compared to other government departments, is partly on account of the distinctive relationship of policy to beneficiary in an aid programme as against a domestic programme (David Mosse, Personal communication via email, March 2006).

[39] It is no accident that USAID prioritizes micro-enterprise development and micro-finance in its direct poverty reduction approaches and steers clear of cash grants and 'free' starter packs for post-drought farmers.

[40] Interestingly however, research from a national survey published in the *Public Opinion Quarterly* reveals widespread misperceptions of public opinion on foreign policy (Todorov and Mandisoza, 2004). The authors contend that while Americans strongly prefer multilateral policies, they overestimate public support for unilateral policies.

[41] There is also the view that the public does not really understand the specifics of aid. 'Polls have repeatedly shown how people think 15-20% of the national GDP goes into aid!', Rt Hon. John Battle, MP, Member of the Select Committee on International Development (Personal communication, London, February 2006).

[42] Most prominent NGOs that work collaboratively with the government in the UK are the large and powerful 'brand names' in poverty reduction, like Oxfam, Save the Children, Christian Aid, Action Aid and others. This has earned critiques on the grounds that smaller community based organizations, such as of the diaspora communities, have been gradually sidelined. Josephine Osikena, Foreign Policy Centre (Personal communication, London, February 2006).

[43] Although this had been shaken by the successful case against Mrs Thatcher for giving aid to the Malaysian government to build the Pergau Dam, as a sweetener for a large order for UK manufactured military aircraft.

[44] Hard power covers both military and economic power, which can be used to coerce desired behaviours from other countries or actors. Soft power arises when other countries (or actors) want to follow what a country is doing because they wish to emulate its values or achieve its level of prosperity or openness (see Nye 2002, pp.8-12).

[45] However, as Nye (2002) and many others worry, soft power seems to be only a minor component of the present government's strategy. It is clearly detached from multilateral efforts (indeed it is detached from mainstream US bilateral efforts) and its present achievements – US$19.5 million disbursed against a target of US$5billion i.e. 0.4% of target – make it look so soft that one could not realistically expect it to have much of a poverty reduction, foreign policy or national security benefit.

[46] The importance of domestic politics for foreign policy has been widely discussed in the literature. See for instance Hook (1995) and DeSombre (2005). It is fascinating that the recent governance debates on foreign aid have focused so much on recipient country domestic politics and so little on donor country domestic politics. Yet, we know that some countries, such as France and Italy, have very non-transparent aid budgets and that EU ODA is mess.

[47] An active member of the Dhaka development community presently engaged in DFID's Human Rights and Governance Initiative (HUGO) had not even heard of the Bangladesh Drivers of Change study until he was interviewed for this paper (Personal Communication, Norwich, March 2007).

[48] While analyses have focused abundantly on why aid does not work in recipient countries, the mechanics of aid implementation and the politics of its effectiveness, there has been relatively little introspection on the factors impacting upon on issues such as donor actions, their relationships with their domestic constituencies and the messy world of donor organisations. This last subject has been the subject of emerging interest as part of the 'ethnographies' of international aid (see Mosse and Lewis, 2005, for a comprehensive review).

[49] Sue Unsworth, Personal communication via email, April 2006

[50] An authoritative DFID insider revealed how DFID country managers were under a lot of pressure to use DOC analyses, but could not use these to reduce spending, which had to continue irrespective of these studies (Personal communication, July 2006).

[51] This phrase was used by Andrew Natsios, Administrator for USAID until January 2006, in his recent speech to the UK Parliament on 12 October 2005.

[52] Peter Da Costa, Personal communication, London, February 2006

[53] Some of the leading proponents of the DOC approach recognize these problems (Sue Unsworth, Personal communication via email, April 2006).