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The Changing International Political Economy of Development Assistance:

The Ghanian Case

Alexandra Olivia Zeitz







The Changing International Political Economy of Development Assistance: The Ghanaian Case

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Abstract

A growing political science literature studies the significance of emerging powers as key players in development. However, these studies have almost all considered the phenomenon from the perspective of donors. This paper assesses how recipient governments respond to the rise of new donors, using a case study of Ghanaian aid negotiations (2001–2012). Drawing on bargaining and negotiating theory, the paper identifies three key variables affecting the ability of the recipient government to secure negotiation outcomes in line with their objectives. These are: (1) the arrival of non-traditional donors as a third party to the negotiation set-up; (2) a declining need for foreign assistance as other sources of revenue provided outside options; and, (3) a changing discourse of donor-recipient relations. In the Ghanaian case, the paper finds that all three of these factors shaped negotiations with traditional donors, ultimately increasing the government's influence; however, the presence of emerging donors had the greatest impact, albeit in an indirect manner. Counter to an early hypothesis, changing conditions did not directly inspire the recipient government to negotiate more assertively. Instead, traditional donors appear to have moderated their negotiating stance unilaterally, anticipating their own diminished influence in a more crowded development arena.

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1. Introduction

Scholars of International Relations (IR) have long been interested in the question of how the structure of the international order affects political relations within it, for instance, asking how hegemony influences the design of international institutions or what multipolarity means for the stability of normative regimes. The structure of the international order has also been considered crucial in the context of international development assistance. Bipolar Cold War competition led to aid being used to maintain alliances, giving recipient states leverage over donors willing to make concessions in order to prevent defections. In the post-Cold War era, American hegemony and the leadership of Western development agencies led to foreign aid 'monopolies' in which recipient countries were profoundly dependent on donors. As the international order has begun shifting towards a multi-polar world over the last decade and with emerging powers like China, India, and Brazil playing an increasingly significant role in development assistance, this raises the question: how has this affected the politics of aid? A growing body of political science literature has studied the significance of emerging powers as key players in development as non-traditional aid donors, financers of infrastructure, and key trading partners with developing countries.² The bulk of this analysis has concentrated on Chinese activities in Africa.³ These studies have, however, almost all considered the phenomenon from the perspective of either the emerging powers (What are the motivations for these states of expanding their development role?) or the traditional donors (What does this 'competition' mean for the position of Western donors?). Very few studies have considered the question from the recipient perspective.⁴

This paper responds to this gap in the literature by probing how aid recipient states have been affected by the shifting international development order. The existing literature tends to imply that this new arrangement will translate into greater power for recipient states as the proliferation of donors reduces their dependence on traditional donors. However, this suggestion has neither been theoretically justified nor empirically substantiated. This paper addresses precisely these two weaknesses: it sets up an analytical framework for how the new aid order affects the power of recipient states and empirically investigates the phenomenon with a detailed case study of aid negotiations in one country over the last

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² Emma Mawdsley, *From Recipients to Donors: Emerging Powers and the Changing Development Landscape* (London; New York: Zed Books, 2012); Scarlett Cornelissen, "Awkward Embraces: Emerging and Established Powers and the Shifting Fortunes of Africa's International Relations in the Twenty-First Century," *Politikon* 36, no. 1 (2009); Clemens Six, "The Rise of Postcolonial States as Donors: A Challenge to the Development Paradigm?," *Third World Quarterly* 30, no. 6 (2009).

³ Chris Alden, *China in Africa* (London: Zed Books, 2007); Deborah Brautigam, *The Dragon's Gift: The Real Story of China in Africa* (Oxford: Oxford University Press, 2009); Robert I. Rotberg, *China into Africa: Trade, Aid, and Influence* (Washington, D.C.: Brookings, 2008); Kweku Ampiah and Sanusha Naidu, *Crouching Tiger, Hidden Dragon?: Africa and China* (Scottsville, South Africa: University of KwaZulu-Natal Press, 2008).

⁴ A notable exception in the academic literature is G. Mohan and B. Lampert, "Negotiating China: Reinserting African Agency into China-Africa Relations," *African Affairs* 112, no. 446 (2012). In the policy literature, the key contribution is Romilly Greenhill, Annalisa Prizzon, and Andrew Rogerson, "The Age of Choice: How Are Developing Countries Managing the New Aid Landscape?,"(London, UK: ODI, 2013). The few empirical studies focusing on the recipient perspective have concentrated on Asia: Jin Sato et al., "Emerging Donors' from a Recipient Perspective: An Institutional Analysis of Foreign Aid in Cambodia," *World Development* 39, no. 12 (2011); Hisahiro Kondoh et al., "Diversity and Transformation of Aid Patterns in Asia's 'Emerging Donors',"(2010).

decade, Ghana. The paper asks: does Ghana hold more power in aid negotiations with traditional donors now than it did ten years ago? To what extent have changes in the international order affected this donor–recipient power balance?

The paper argues that the new order in international development assistance manifests itself in three important conditions that affect the distribution of power, i.e. the potential for influence in negotiations between aid recipients and their traditional donors. These three conditions are as follows: first, the presence of **non-traditional donors** as 'third parties' to the negotiation; second, a **declining need for foreign assistance** as more domestic revenue and debt financing through bond markets provides attractive outside options; and third, the changing '**discursive context**' around aid, emphasizing alignment with recipient objectives and recipient ownership of policies.

The ambitions of this paper are to provide theoretically grounded hypotheses about possible changes in the power relationship between aid recipient states and traditional donors. It does not set out to test existing theory. The single case study approach is well suited to this task, allowing for a detailed investigation of the causal mechanisms at work in the relationship between the three conditions identified in the analytical framework and any change in relative power between donor and recipient. The dependent variable in question, influence in negotiations, moreover, does not lend itself to easy operationalization for regression analysis.

The Ghanaian case was chosen as a typical case, exhibiting variation over time in the explanatory variables in question: an increasing presence of non-traditional donors, especially China, over the last decade and oil-fuelled growth driven by demand from emerging powers, while the third variable of discursive context varied in largely the same way across developing countries over this period, since it manifested itself at the international level. Ghana is thus broadly representative of a universe of about 40 cases of developing countries that maintain aid relationships with traditional donors but for whom the conditions of development assistance are evolving. To investigate the effect of these changing conditions in the Ghanaian case, I carried out a detailed process trace of three sets of negotiations over the period 2001–2012, gathering data in over 20 interviews in Accra, Ghana in October 2013 and triangulating these with donor reports, newspaper articles, published aid agreements, government statements, press releases, and reports.

Through a detailed process tracing exercise, I am able to untangle the microfoundations of a shift in the Ghanaian government's bargaining position, showing how changes in the three conditions were correlated with negotiating outcomes that were more in line with the government's objectives. Surprisingly, I find that the change in negotiation outcomes is ultimately attributable to donors, the stronger party, ceding some of their influence in negotiations, rather than the Ghanaian government, the still structurally weaker party, leveraging more favourable conditions into a more assertive bargaining strategy.

This paper adds to IR, political science, and development studies research that has considered the effects of a transition to a multi-polar order on international development assistance. It contributes the following: first, a focus on the thus far neglected position of aid recipient countries in, and their responses to, the new global order in foreign aid; second, an analytical framework linking changing conditions to the possibility of increased power for recipient states; third, a detailed case study demonstrating the causal links between

changing conditions and negotiation outcomes; and finally, hypotheses about these causal links that can be tested in future comparative studies and medium-n analyses.

The paper proceeds as follows: the following section sets out the analytical framework identifying which conditions are important for the negotiating relationship between recipient states and their traditional donors and links these conditions to negotiation outcomes. The third section applies the analytical framework to three sets of aid negotiations between the government of Ghana and its traditional donors over the period 2001–2012. The fourth and final section concludes, also setting out possible policy implications and avenues for future research.

Conditions for Negotiation — An Analytical Framework

In aid negotiations between developing countries and their traditional donors, the precise nature of parties' objectives varies. At the heart of the diverging preferences, however, is a contestation over recipient sovereignty. On the one hand, traditional donors want to ensure that their aid is spent effectively and therefore seek some influence over recipient policy. Recipient governments, on the other hand, often see this influence as intrusive and aim to maximize their own discretion over policy. On top of this, donors and recipients often prioritize different policy areas. Broadly speaking, traditional donors have emphasized social development over the last 15–20 years (i.e. education, health, gender equality, etc.), while many recipient governments have sought to invest in measures to boost growth. The outcome variable of interest in the following analysis, therefore, is the recipient government's ability to secure aid agreements that reflect their own objectives. This might be observable, for instance, in an aid agreement that provided backing for infrastructure projects or measures intended to boost the manufacturing sector.

This paper uses the tools of bargaining theory in order to analyse the power relationship between recipient governments and traditional donors, pointing to how changes in certain conditions might strengthen the hand of one or the other actor. Given this focus, power is conceived as the relative ability to steer negotiations in the direction of one's preferred outcome. This draws on various conceptions that see power as the control over outcomes or interactions, analysing actors' power as dynamic and enacted, rather than purely material or static. Powerful actors are those who are able to get their way. The following three conditions best help to explain the relative influence, and therefore relative power, of the parties in aid negotiations.

The emergence of non-traditional donors: In a bargaining scenario, the outcome of the negotiation is shaped by each party's dependence on an outcome, dependence that can be mitigated by access to alternatives outside of this particular negotiation. Given the particular interest in the effects of the rise of non-traditional donors, I separate the outside option of a new third party from other outside options that reduce a recipient's dependence on traditional foreign assistance (see 'declining need for foreign assistance' below).

Non-traditional donors are an impactful third party to aid negotiations since their assistance diverges from that of traditional donors in ways that place pressure on the offers made by these traditional donors. African aid recipients consider the outside option of non-traditional donors to be appealing for three reasons: (a) conditionality: non-traditional donors eschew the political conditionality that has characterized traditional development financing, (b) volume: financing, especially from China, is often granted in much larger bundles than the funding from traditional donors, which makes it particularly attractive for large infrastructure projects, (c) speed: without the detailed review and evaluation procedures of traditional donors, funding from emerging donors can be disbursed incredibly rapidly.

Declining need for foreign assistance: Non-traditional donors are not the only outside option that can increase the bargaining power of recipient states. Several other dynamics reduce the dependence of the recipient government on traditional aid, providing it with more 'outside options' to walk away from negotiations with traditional donors. These have been clustered together here and separated from the effect of non-traditional donors in an attempt to identify and isolate the specific impact of these new donors. The other drivers of a declining need for foreign assistance include: rising government revenue due to economic growth fuelled by trade with emerging powers and rising commodity prices; more disposable government revenue due to debt forgiveness over the first half of the 2000s; and, debt financing through bond markets, which opened up to African economies in the second half of the 2000s.

Importantly, decreasing aid dependence does not mean that traditional donors will withdraw immediately, both because aid continues to be important even as developing countries move to middle-income status and because donors seek to remain influential in recipient countries by continuing to provide assistance. Thus, given that an aid relationship remains in place, the question is how these factors alter the politics of that particular traditional aid relationship.

Discursive context: Negotiations are profoundly affected by the discursive context in which they occur, giving negotiators access to concepts (e.g. of fairness or due process) with which to frame the negotiation. While discourse does not feature in formal models of bargaining, other analyses of the process of negotiation emphasize the importance of ideological context for effective negotiating strategies.

Discursive contexts can be more or less beneficial to particular participants in negotiation. For smaller or weaker states, a beneficial discursive context is one that stresses concepts of fairness premised on sovereignty and equality while making concessions for development, such as the principle of "common but differentiated responsibilities" found in agreements on climate change. In the aid realm, a discursive shift occurred over the course of the 2000s that stood to benefit recipient states. Donors began speaking of the "partnership" in development, referring to themselves as "development partners" and recipients as "government partners" and emphasizing the importance of recipient "ownership" of development policies. This shift arose as a result of recipient government and international NGO pressure, as well as reconsideration of development models by traditional donors in the aftermath of the crisis of structural adjustment policies. While critics are right to point out that the new discourse did not substantially change policies of traditional donors, which in some cases became even more intrusive, it did provide a language geared towards recipients' interests that could be used as framing devices in negotiations.

It is important to note that, in contrast to formal analysis of bargaining, this analytical framework does not presuppose that these conditions deterministically predict the outcomes of negotiations. Instead, following empirical analyses this paper considers actors' agency to be essential in shaping outcomes. The conditions outlined above merely provide the potential for influence; actors then respond to these conditions in their effort to secure their desired bargaining outcomes.

3. A New Politics of Aid? The Ghanaian Case

When asked whether Ghana was in a more powerful position in negotiations with its traditional donors in 2012 than in 2002, both government and donor interviewees responded affirmatively. The following analysis thus traces a process where the outcome is known, but the causal mechanisms are unclear. Why, and how, is it that the government achieved greater influence in negotiations with traditional donors in the decade from 2002 to 2012?

The analysis of aid negotiations is divided into three periods, in each of which I set out the conditions for negotiation, the parties' objectives, and the negotiation outcomes. Negotiating objectives can sometimes be difficult to establish retrospectively, since these are often not written down and certainly not publicly available. I use interviews and international trends during these periods to establish general negotiating preferences. I then analyse the impact of each of the conditions, assessing their relative importance for Ghana's growing influence in the negotiations.

	2001–2004	2005–2007	2008–2012
Negotiating conditions			
Non-traditional	_	_	++
donors			
Dependence on	_	+	++
foreign assistance			
Discursive context	_	+	+
Negotiating objectives	Donors: poverty	Donors: social sector	Donors: focus on
	reduction, good	focus, MDGs,	limited number of
	governance, MDGs,	quantitative standards	policy areas,
	budget oversight	to measure impact of	prioritizing social
	through poverty	government policy	interventions,
	reduction strategy	Government of	quantitative
	papers	Ghana:	standards
	Government of	Reduce reporting	Government of
	Ghana: Resisting	requirements, policy	Ghana: Reduce
	donor intrusion into	focus on growth,	reporting;
	budget process,	infrastructure, and	industrialization and
	transcending social	industrialization	infrastructure, public
	sector focus		investment in growth
Negotiation outcomes	In policy focus and in	Policy focus closer to	Policy focus
	aid process, more	government objectives	reflecting
	aligned with donor	than in previous	government
	objectives.	period. Aid processes	objectives. Aid
		in line with donor	processes with more
		objectives	concessions to
			government
			objectives than in
			previous periods

Table 1. The table charts changing conditions (+ denotes conditions favourable to the Ghanaian government), objectives and outcomes in aid negotiations in Ghana 2001–2012.

3.1 2001–2004: Limited Access to Alternatives

The focus of this period (2001–2004) was the negotiation and implementation of the Ghana Poverty Reduction Strategy (GPRS I), which set out development policies that traditional donors and the government would jointly fund. The GPRS I was negotiated as part of a Ghanaian agreement on debt relief with the IMF and the World Bank to help resolve a debt crises precipitated by a terms of trade shock.⁵

Conditions for negotiation: There was no meaningful presence of non-traditional donors in the early 2000s. China had not yet begun supplying loans or grants to Ghana in significant volumes; by 2000, only 0.5% of Ghana's debt was to China. 6 As an official at the Debt Management Division in the Ghanaian Ministry of Finance put it, at the time of negotiating the GPRS I there was "no Brazil, no China". With respect to dependence on foreign assistance, the conditions were also not favourable for the Ghanaian government. Aid constituted 13% of the country's gross national income in 2000, compared to a sub-Saharan African average of 4% that same year. 8 Until debt relief was secured, much of the government's resources were tied up in servicing debts; in 2001, the ratio of debt service obligations to government revenue was 61%. The global discursive context of development during this time emphasized governance and poverty reduction. Ghana, having transitioned to multi-party democracy in the 1990s, was not substantially subjected to governance conditionality. However, the discursive emphasis on poverty reduction did give support to donors' social sector priorities over the growth-oriented strategies the government sought to pursue.

Negotiating objectives: During this time, traditional donors' negotiating objectives entailed securing commitment to the poverty reduction, decentralization, and good governance policies they were implementing in poverty reduction strategy papers (PRSPs) across developing countries. This included giving donors closer oversight over the budget to ensure that government spending was focused on poverty reduction. It also entailed macroeconomic requirements such as cutting government fuel subsidies and promoting privatization. 10 The Ghanaian government, on the other hand, hoped to secure aid to finance investment in infrastructure and industrialization and attempted to resist donor intrusion into the budget process. 11 This government opposition became more evident in later years, when the government derided the outcome of these negotiations in the early 2000s. 12

⁷ Official at MoFEP (Debt Management Division), 7 October 2013, Accra, Ghana.

⁵ IMF IDA, "Ghana: Enhanced Heavily Indebted Poor Countries (Hipc) Initiative - Preliminary Document," (2001), 7.

⁶ Ibid., 16.

⁸ Joe Amoako Tuffour, "Multi-Donor Direct Budget Support in Ghana: The Implication for Aid Delivery and Aid Effectiveness," in Selected Economic Issues (Accra, Ghana: Centre for Policy Analysis, 2005), 2.

⁹ IMF IDA, "Ghana Hipc Preliminary Document," 20.

¹⁰ Guy Crawford, "Ghana's Fossil-Fuel Subsidy Reform," ed. Institute for Development Studies (2012). ¹¹ Senior official at the National Development Planning Commission (NDPC), 27 September 2013, Accra. Ghana.

¹² E.g. in Government of Ghana, "Growth and Poverty Reduction Strategy (GPRS Ii) (2006-2009),"(Accra, Ghana2005).

Negotiation outcomes: The policies agreed in the final text of the GPRS I corresponded more closely to donors' objectives than to those of the government, and the institution set up to disburse aid funds was also more in line with the preferences of donors.

Of the policies in the GPRS I, the commitment to withdraw fuel subsidies is one example of donors' influence in policy negotiations. The government had been explicitly against this policy prior to the GPRS I. 13 A former official from the Ministry of Finance referenced the negotiations around subsidies when discussing the use of conditionality:

... maybe one of the conditions or targets was 'fully remove all subsidies from petroleum products'... And then in the course of implementing, the price of oil shoots up... I'm not going to be able to totally remove the subsidy because now I've increased it more than I'd planned to, signs in the population are not so good...[then] the DP [Development Partner, i.e. donor] says 'Well, but you were supposed to have taken 50% off the subsidy by now, you've only done 3%. We can't give you this money¹⁴

Overall, government negotiators present at the negotiations stress how much influence donors had over the final outcome document. An official at the National Development Planning Commission (NDPC) emphasized that Ghana's ability to shape policy was circumscribed since traditional donors were the only source of much-needed funding in the midst of Ghana's debt crisis: "the choices that were available to Ghana were limited at that time, because you are prescribed to respond to these things [i.e. debt relief initiatives]. In terms of negotiations, it tilted more towards donors, who were giving the relief." ¹⁵

Beyond policy, negotiating outcomes on aid processes also hewed closer to donors' objectives. The most important outcome was the creation of the multi-donor budget support (MDBS) mechanism in 2003, which allowed for the pooling of donor funds and their direct disbursal to the government. Establishing the MDBS itself was certainly an objective shared by the government and donors, yet the Ghanaian government would have preferred to have fewer conditions attached to this new funding mechanism. Donors, however, aimed for the MDBS to give them greater access to government through 'high-level dialogue,' and were insistent on including conditions.¹⁶

The final design of the arrangement reflected the donors' objectives: funds are released only after an annual performance review and scrutiny of government policy by donors. 17 A development think tank's review of the Ghanaian MDBS highlights the stringent nature of the Ghanaian MDBS. While many funding bodies in other developing countries have targets linked to public financial management, intended to ensure that the budget support will be used in a responsible manner, the standards in the Ghanaian MDBS are "unusual" in how far-reaching they are with respect to domestic policy, providing donors with a way to directly

¹³ David Coady et al., "The Magnitude and Distribution of Fuel Subsidies: Evidence from Bolivia, Ghana, Jordan, Mali and Sri Lanka," in IMF Working Paper, ed. IMF (2006), 17.

Former Official at MoFEP (Director of Multilateral Division), 9 October 2013, Accra, Ghana.

¹⁵ Senior official at NDPC. ¹⁶ Tuffour, "Multi-Donor Direct Budget Support in Ghana," 11. Overseas Development Institute, "Budget Support to Ghana: A Risk Worth Taking?," in ODI Briefing Paper (2007).

¹⁷ Embassy of the Netherlands in Ghana, "Multi Donor Budget Support Brief," (2008), 4.

provide "incentives for the implementation of reforms". Furthermore, a 2006 IMF review of the MDBS reveals that the government was not even asked to participate in the drafting of the targets used to assess government performance prior to 2005. 19

3.2 2005–2007: Changing Conditions, Changing Influence?

This second period was structured around the negotiation of the successor document to the GPRS I, the Ghana Growth and Poverty Reductions Strategy (GPRS II).

Conditions for negotiation: The engagement of *non-traditional donors* remained limited over this period; China had not yet made significant inroads into the country. With respect to *dependence on foreign assistance*, conditions were somewhat more favourable. Exiting from the IMF's review of government borrowing in 2004 meant non-concessional loans were again a financing option for Ghana. Debt relief significantly reduced the pressure on the government's budget, and revenue increased five-fold from 0.54 billion cedis in 2000 to 2.63 billion cedis in 2005. And yet, the government remained reliant on donor funds. At the outset of this period in 2005, MDBS funding still accounted for 8.9% of government expenditure. This period was characterized by important shifts in the global *discursive context* as the 2005 Paris Declaration introduced the principles of "ownership", "alignment", "harmonization" and "mutual accountability", making available concepts that the government could use to advance its own objectives.²¹

Negotiating objectives: In this second period, donors continued to stress the social sector policies of the Millennium Development Goals (MDGs), aiming to include these in the final policy agreement. The changing discourse and norms around aid meant that donors were less likely to insist on explicit conditions, but they still sought oversight over Ghanaian policies and budgets including through new, quantifiable standards, wanting to ensure funds were being spent appropriately as more authority was handed over to the government. When reflecting on this period, government negotiators indicated their objectives were to secure financing for growth-oriented investment, against the donors' social sector focus. Furthermore, they aimed to reduce what they saw as burdensome and intrusive reporting requirements from donors.

Negotiating outcomes: The final text of the GPRS II contained several of the government's objectives. Among other policies, it emphasized industrial development as a driver of growth and prioritized infrastructure. The plan argued that Ghana must go beyond social interventions and suggested that the government would not brook donor opposition:

The nation must now aim for strategic objectives beyond the minimal goals of poverty reduction as envisaged under GPRS I.... It is essential for Ghana to dialogue freely with its development partners [donors] on these

¹⁸ Andrew Lawson et al., "Joint Evaluation of Multi-Donor Budget Support to Ghana," (ODI, CDD-Ghana, 2007), 37.

¹⁹ IMF, "Ghana: Poverty Reduction Strategy Paper - 2006 Annual Progress Report," in *Staff Country Reports* (2009), 183.

²⁰ "World Economic Outlook (Weo)," (2012).

OECD, "The Paris Declaration on Aid Effectiveness: Five Principles for Smart Aid," (2005).

political/ideological issues so that the implementation of GPRS II is not obstructed by hidden political reservations.²²

To achieve these outcomes, the clearest difference in tactics between negotiations in the previous period and this one was that the government prepared the draft text of the GPRS II and presented it to donors, rather than responding to a donor draft as they had done with the GPRS I. An official who helped to draft the GPRS II described this as crucial:

I remember when we were putting the document together, donors wanted to be part of this special working group. And the government said: 'No, you hold on until we have reached an advanced stage, when we have crystallized our thoughts as to how we want to proceed, then we can bring you in.'23

This approach was made possible by a change in conditions, especially the fact that the government was no longer within the constraints of debt relief conditionality, as the same negotiator remembered: "because we were not under any obligation for preparing this thing to meet any specific HIPC [Highly Indebted Poor Country, an IMF programme] initiative, the position of government was quite strong. In terms of this being Ghana's own thing". 24

In negotiation outcomes related to the process of disbursing aid, however, donors saw more of their objectives realized. The conditionality of the funding arrangement was applied in 2005, as the EU and several bilateral donors withheld a third of their general budget support on the grounds that they were dissatisfied with the government's performance on energy, payroll, and public sector reform.²⁵

In 2005, the MDBS began using stricter, quantitative standards for aid disbursal, which had been a clear donor objective, expressed in reports published by the British Department for International Development (DFID), the African Development Bank, and other bilateral donors. These targets were supposed to measure actual government results (e.g. percentage increase in primary school enrollment) rather than legislative measures. An internal DFID report shows how pooling of aid in line with the discourse of 'ownership' and 'alignment' left donors wanting oversight over government policy through such conditions:

... the GoG [Government of Ghana] has expressed concerns about using outcome indicators, as it feels that it does not have sufficient control over them ... Nonetheless, continuing to include outcome indicators in the social sectors would be an important means for DFID to assess whether the GoG is spending enough and delivering in these sectors. This is especially so when DFID moves their health funds to MDBS, thereby losing direct influence on health spend[ing].²⁶

²² Government of Ghana, "GPRS li," iii.

²³ Senior official at NDPC.

²⁴ Ibid.

²⁵ Vitus Azeem et al., "Evaluation of Dfid Country Programmes: Country Study Ghana 2000-2005," ed. DFID (2006), 22.

²⁶ Ibid., 24.

Thus, even as the discursive imperative of "ownership" led this donor to funnel its aid directly through the government, it also sought to retain influence through quantitative outcome targets.

While the policy agreement thus more closely reflected the government's negotiating objectives during this period, the outcomes on the mechanisms by which aid was disbursed seemed to reflect donor priorities. The difference between these outcomes speaks to the explanatory power of the discursive context: the emphasis on "ownership" meant that the government had greater say in determining policy objectives, but procedural conditions in the name of "effectiveness" remained prevalent.

3.3 2008-2012: A New Politics of Aid for Ghana?

This third period (2008–2012) was characterized by a fundamental shift in the conditions for negotiation between the government and traditional donors. The context changed considerably after 2007, the year Ghana discovered oil, issued its first Eurobond, and first secured a large loan from China. The early years of the period were spent negotiating the Ghana Shared Growth and Development Agenda (GSGDA), the plan that succeeded GPRS I and GPRS II and set out the policies both donors and the government would fund.

Conditions for negotiation: The most decisive change from the previous two periods occurred with respect to the emergence of *non-traditional donors*, who became increasingly important in Ghana during this period. In 2007, the Ghanaian government signed an agreement for \$562 million in Chinese financing for a large dam project, half of it concessional, with later Chinese grants and loans also concentrated in infrastructure and knowledge transfer for industry. As Mohan puts it, commenting on the emergence of China as an important source of finance in this period: "There is a perception amongst Ministers and think-tanks in Ghana that the Chinese are serving genuine infrastructure needs, which they set up in opposition to the liberal governance agendas of [OECD Development Assistance Committee] DAC donors."

Access to further outside options also reduced *dependence on foreign assistance* and provided increasingly favorable negotiating conditions to the Ghanaian government. In 2007, oil was discovered in Ghana and oil production began in earnest in 2010. The promise of oil revenue provided access to additional funds, as the government issued its first Eurobond in September 2007, worth US\$750 million and backed by oil earnings. The country was reclassified from low-income to lower middle-income (LMIC) in 2011, when the World Bank reviewed the country's income statistics.³⁰

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²⁷ This period also involved a change in government, as the NPP was voted out office after two terms and the NDC elected in 2008. However, the divergence between the parties on negotiating with donors is minimal. Supported by interview evidence, I argue that the changes in conditions were more important in generating any shift in power balance with donors that may have occurred during this time than the transition from NPP to NDC rule.

²⁸ Isaac Idun-Arkhurst, "Ghana's Relations with China," in *China in Africa Project* (South African Institute of International Affairs, 2008).

²⁹ Giles Mohan, "China in Ghana: Easing the Shift from Aid Dependency to Oil Economy?," in *Real Instituto Elcano* (2010).

³⁰ Todd Moss and Stephanie Majerowicz, "No Longer Poor: Ghana's New Income Status and Implications of Graduation from Ida," (Center for Global Development, 2012).

Finally, the *discursive context* of international development was in flux during this period. While the values of the OECD's 2005 Paris Declaration (reinforced in the 2008 Accra Agenda for Action), including "ownership", "mutual accountability", and "delivering results" remained central, the discourse was also being challenged by non-traditional donors. These emerging donors adopted a discourse of sovereignty and mutual respect, in China's case often phrased as "win-win", which challenged the instances of traditional donor conditionality that still often underlay the rhetoric of "ownership" and "mutual accountability".

Negotiating objectives: During this period, the government continued to seek agreements that focused on infrastructure, industrial development, and economic growth, a position strengthened by the election of the social democratic-leaning National Democratic Congress (NDC) in 2008 and its greater focus on state-led interventions. While traditional donors no longer held as tightly to their poverty reduction objectives, they diverged from the government in insisting on a small number of targeted areas of work, in which they would be able to report an impact to their home agencies. Traditional donors also continued to seek strict targets that could be used to monitor the government's outcomes, while the government sought greater freedom and discretion in its budgeting and policymaking.

Negotiation outcome: The main development agreement in this period, the Ghana Shared Growth and Development Agenda (GSGDA), was negotiated with the coming into office of the new NDC administration in 2008.

Asked about this agreement, negotiators highlighted their influence over the final outcome document, especially relative to previous periods: "Over that period [of crafting the GSGDA] we were not responding to others, we were consolidating the issue of having a national policy framework to guide us. So our strength in terms of making choices was quite strong." The document itself did reflect most of the objectives the government had set out with, including infrastructure, sanitation, industrial agriculture, and education. Negotiators indicated that the outside availability infrastructure financing from non-traditional donors was particularly important in securing commitments to infrastructure in the final text. 32

During this period, the funding mechanism for disbursing aid directly to the government, the MDBS, continued to use quantitative outcome triggers for disbursement. As such, it does not initially appear that the government had gained influence within the MDBS. Interviews with negotiators on both the government and donor side tell a different story, however, pointing to the subtle ways in which the government secured outcomes more to its liking. Observers from the UNDP offices in Accra, for instance, described how the government refused to agree to a target on fuel subsidies that required Cabinet or Minister-level ratification, instead successfully insisting that the reform be passed on to the less senior and less politically accountable sector level, where the reforms were less likely to be carried out.³³ The UNDP officials remarked that this was a level of assertiveness that the government would previously not have dared to engage in and a negotiation outcome they would not have been able to secure.

³² Official at MoFEP (Debt Management Division).

³¹ Senior official at NDPC.

³³ Officials at UNDP Ghana, 12 August 2013, Accra, Ghana.

The government also appeared to be more discerning in terms of the aid it accepted. A former MoFEP official indicated that a benefit of funding from China was that the government now was able to refuse "less desirable" donor funds, including small grants or ones with high transaction costs.³⁴ The notion that the government was more selective in its interactions with traditional donors was corroborated by donor officials, including ones at the Japanese Embassy, who explained the government now expected shorter negotiation timelines because of the model of speedy cooperation established by China.³⁵

The government demonstrated its increased power relative to traditional donors in a 2010 exchange. Frustrated with the stringent performance standards requested by the donors, the government hired a consultant to design a similar set of standards, a "performance assessment framework" (PAF), to assess the donors. One former negotiator described the initiative:

I think DPs, the last two years, I think that they are pushing less policy conditions because we made so much fuss about it. I think it's when we said "Ok, we're going to come up with a Performance Assessment Framework (PAF) to assess you DPs and your performance" I think that's when they realized "Uh, oh, the government"... When we first broached the idea of assessing DPs they were like "Ok, so who will do the assessment?" So my colleague said, "Who assesses us on the MDBS? You guys do! So, we will assess you" "Yes, but, you know, you've got to be flexible..." "I'll give you the same amount of flexibility that you give me!" 36

The initiative (which was neglected when a new Minister of Finance came into office a year later) shows how the government used the discourse of mutual accountability and its increasing power to push back against the standards that donors were aiming for in negotiations.

3.4 Changing Conditions, Changing Power? Interpreting the Evidence

The preceding sections trace changes in conditions and outcomes in Ghanaian aid negotiations over ten years, demonstrating a correlation between the two: as non-traditional donors became more important, and dependence on foreign aid and the discourse shifted, negotiating outcomes became more aligned with the objectives of the Ghanaian government. The following sections examine the relative importance of the three causal mechanisms that link changing conditions to shifting outcomes.

Non-traditional donors: This condition helps to explain much of the shift in the power distribution that occurred, as the final period demonstrates. The expectation from the analytical framework above is that an attractive outside option should allow a party to push for better terms during the negotiation. While this type of bargaining did take place, e.g. in the government cutting the length of negotiations or introducing the "donor PAF", the evidence suggests emerging donors also affected outcomes by shaping traditional donor behaviour directly, both at the Ghanaian and the international level.

³⁴ Former Official at MoFEP (Director External Economic Relations), 2 October 2013, Accra, Ghana.

³⁵ Head of Economic Cooperation Japanese Embassy, 30 September 2013, Accra, Ghana.

³⁶ Former Official at MoFEP (Director of Multilateral Division).

Non-traditional funding is attractive to many recipients for its lack of political conditionality, volume, and speed. Ghanaian negotiators occasionally leveraged these attractive traits of alternative donor funding in their negotiations with traditional donors. The presence of an outside actor proved an attractive bargaining chip: one official stated "in 2009 the posture of government was that 'if we don't get what we want from you, we'll go to China'". Another suggested that the presence of the Chinese "competitor" harkened back to Cold War dynamics, referencing an analogous negotiation:

The Akosombo Dam, when the first president of Ghana [Kwame Nkrumah] was trying to get funds to construct it, you know, he went to the Americans "I need X amount, I want to build this dam" and Kennedy was like "Ugh". So finally, he [Nkrumah] says "Ok, I know if I go to Russia, they'll give it to me" Oops! End of story. Ok? I suppose that was a good ploy, "You won't help me? Russia's prepared to help me cause I've been chatting with them as well." 38

In citing this particular example, this negotiator corroborated the compelling argument of some analysts that the growing significance of non-traditional donors heralds the "revival of triangulation", or the ability to play rivals off each other, largely dormant in development assistance in the post-Cold War era. Donors corroborated these claims. One senior Swiss official, for instance, described how the government used the attractive qualities of alternative funding to push back in negotiations with donors: "... the government towards us, development partners, has always somehow said 'Well, you know, the Chinese money is without conditions, and your money is with too many conditions and too high transaction costs". The conditions is with the conditions and too high transaction costs.

Much of what changed in the policy negotiations between the government and traditional donors over these three periods was that the government was given more freedom to define its policy priorities. In some cases, by the end of the decade, donors agreed to fund policy areas that they would not have at the beginning of the decade. In those cases, the threat of "defecting" to China in line with "if we don't get what we want from you, we'll go to China" was influential. In other cases, the traditional donors simply agreed to allow the government to define its policy priorities without any pressure from the government, with the awareness that additional funding was available from emerging donors. As one former senior Finance Ministry official put it: "projects that maybe in the past they would not have allowed you to do, knowing very well that these others will pay, maybe they will allow you to do". Alternative funding also acted as additional resources, giving the government more freedom to be discriminating in its agreements with traditional donors. This speaks to the question in the literature on emerging donors whether recipients will use non-traditional funds to displace or augment traditional donors: in Ghana, the government took a complementary approach, often using non-traditional funds to finance projects traditional donors were unwilling to.

³⁸ Former Official at MoFEP (Director of Multilateral Division).

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³⁷ Senior official at NDPC.

³⁹ Giles Mohan and Marcus Power, "New African Choices? The Politics of Chinese Engagement," *Review of African Political Economy* 35, no. 115 (2008): 31; Pádraig Carmody and Ian Taylor, "Flexigemony and Force in China's Resource Diplomacy in Africa: Sudan and Zambia Compared," *Geopolitics* 15, no. 3 (2010): 499.

⁴⁰ Head of Cooperation at Swiss Embassy, 7 October 2013, Accra, Ghana.

⁴¹ Former Deputy Minister of Finance, 9 October 2013, Accra, Ghana.

The evidence also strongly suggests that the emerging donors also affected traditional donors' behaviour directly. Firstly, many government officials were sceptical about how effectively government negotiators in fact leveraged the new conditions. The former Deputy Minister of Finance summed up his feeling as follows: "I do not feel we are taking advantage of the situation very productively, I don't think we are taking advantage of the situation at all". 42 Secondly, many donor representatives interviewed in Accra acknowledged that they were changing their own behaviour because of the presence of the new donors, even without being prompted by the government. A Japanese diplomat indicated Japan had adjusted it strategy as both the embassy in Accra and headquarters in Tokyo had realized they could not compete with the conditions on Indian or Chinese loans and were therefore concentrating on other objectives.⁴³

An official at the World Bank in Accra claimed that the government did not have to explicitly spell out its alternatives in order to place pressure on traditional donors: "No, we know, so they don't have to say. It's a negotiation, but this communication seldom takes place like this. It happens in other ways, but that [they have other options] is a fact". 44 Trends at the international level compounded these donor adjustments. Several analysts argue that competitive pressure from emerging donors is causing a change in traditional donor behaviour, including less insistence on tight conditionality and a social sector focus.⁴⁵

Declining dependence on foreign assistance: The analytical framework indicated that declining dependence on traditional donors' assistance should increase the government's influence by allowing it to be more assertive in negotiations. While this was partly the case in Ghanaian aid negotiations over the last decade, increases in government revenue due to economic growth and oil wealth largely affected the negotiations through changes in donor behaviour.

Some negotiators indicated that increased domestic revenue strengthened the government's hand by reducing their dependence. A senior official at NDPC said, "we have witnessed our economic status change ... and so you created more opportunities for increased revenue mobilization. And this makes you more able to negotiate from a position of strength". 46 Another negotiator stated that oil revenues meant the government felt less pressured to accept funds that were "less attractive" because they come with more conditions. 47 However, the majority of interviewees were sceptical as to whether Ghana's changing economic fortunes were being effectively leveraged at the negotiation table, arguing that Ghanaian negotiators failed to negotiate "like a middle-income country" or set their negotiating objectives sufficiently clearly or ambitiously.⁴⁸

⁴³ Head of Economic Cooperation Japanese Embassy.

⁴⁴ Official at the World Bank Accra, 4 October 2013, Accra, Ghana.

⁴⁵ Francesco Rampa and Sanoussi Bilal, "Emerging Economies in Africa and the Development Effectiveness Debate," (European Centre for Development Policy Management, 2011); Cornelissen, "Awkward Embraces"; Emma Mawdsley, Laura Savage, and Sung-Mi Kim, "A 'Post-Aid World'? Paradigm Shift in Foreign Aid and Development Cooperation at the 2011 Busan High Level Forum." *The Geographical Journal* 180, no. 1 (2014). ⁴⁶ Senior official at NDPC.

⁴⁷ Former Official at MoFEP (Director External Economic Relations).

⁴⁸ Former Deputy Minister of Finance; Former Official at MoFEP (Director of Multilateral Division); Official at MoFEP, 3 October 2013, Accra, Ghana; Official at MoFEP (Japan/China/Korea Unit), 3

Instead, both donor and government respondents highlighted how donors were responding directly to Ghana's increase in alternatives to traditional donor financing, much as they had to the growing influence of non-traditional donors. Firstly, Ghana's transition to middle-income status directly affected the objectives that the donors pursued in negotiation, as their government or institution's rules dictate different aid practices with middle-income states as the volume of aid allocated to those states decreases. Donor interviewees at the World Bank and the Swiss, Japanese, and Korean embassies made clear that their relationship to the government had changed due to Ghana's middle-income status. ⁴⁹ A government negotiator confirmed:

... when we entered into 2010 and the revision came in, donors became more or less relaxed in a certain sense that they knew that their donor requirements were going to give way with Ghana becoming a middle-income country, because they were not going to be doing the things they used to do anyway.⁵⁰

Much of the influence that donors exercise in developing countries through process and public financial management standards is premised on the notion that donors have a right to know their funds are being used responsibly. As the dependence of the recipient on foreign aid declines, however, the justification for insisting on these mechanisms of influence also decreases.

The second channel by which declining dependence impacted donors' negotiating objectives was a more discursive one. Ghana's economic growth confirmed a narrative of Ghana as a "success story" or "darling" that is widespread within the donor community, prompting lenience from donors for whom Ghana's robust economic performance validated their previous efforts in the country. The country was a frontrunner in structural adjustment in the 1980s and turned the tide to electoral democracy in 1992 just as democratization was becoming a donor objective, and thus established a reputation as a "success story" that came to be self-reinforcing. As one official from the Ministry of Finance described the phenomenon:

... because Ghana very early on was being touted as a success story, DPs are trying to continue to prop Ghana up as a success story whereas Ghana is not really that much of a success, if I want to be very honest ... DPs have pushed us to this, and DPs need to continue to prop us up to prove that all

October 2013, Accra, Ghana; Official at MoFEP (France Germany Netherlands & Sweden Unit), 7 October 2013

October 2013.

49 Official at the World Bank Accra; Head of Economic Cooperation Japanese Embassy; Head of Cooperation at Swiss Embassy; KOICA Official, 8 October 2013.

⁵⁰ Senior official at NDPC.

⁵¹ Felix Zimmermann and Denis Drechsler, "Facing Complexity in Development Finance: Challenges for a Donor Darling," in *Policy Insights* (OECD Development Centre, 2007). This notion also appeared in the following interviews: Official at the World Bank Accra; Official at Chinese Embassy Accra, 27 September 2013, Accra, Ghana; Former Official at MoFEP (Director of Multilateral Division).
⁵² Jeffrey Ira Herbst, *The Politics of Reform in Ghana, 1982-1991* (Berkeley; Oxford: University of

California Press, 1993); Kwabena Donkor, *Structural Adjustment and Mass Poverty in Ghana*, Making of Modern Africa (Aldershot: Ashgate, 1997).

that they've been doing for Ghana has been worth it, and it's good, and it's working even when it's not.⁵³

This is a recognized feature of aid relationships. Other analysts have demonstrated that donors will frequently continue to tout the supposed accomplishments of a state that they have identified as a "star". ⁵⁴ Ghana's growing government revenue in the late 2000s and early 2010s, though largely attributable to oil and debt forgiveness, appeared to confirm the efficacy and validity of donors' practices in the country, and interviews with donors and the government indicated they therefore lowered their objectives in negotiations.

Discursive context: It is difficult to establish precisely what causal effect discourse had over this period, since the correlation of a discourse more favourable to the government ("ownership", "partnership", and "development effectiveness", for instance) with greater government power in negotiations could also imply causality in the opposite direction, i.e. that the discourse changed to reflect shifting power caused by other factors. However, an analysis of the discursive context helpfully reveals that although it provided bargaining tools to the government in the form of framing devices, these tools did not seem to be applied frequently or effectively. Furthermore, the discourse, though largely set up by traditional donors, also had the effect of constraining these donors' actions, limiting what they pushed for in negotiations.

Though donors and other commentators did claim that government negotiators made reference to the norms of mutual accountability and equal partnership in pushing back against stringent donor standards, most notably in the "donor PAF", they often suggested that the government was insufficiently strategic in how it leveraged this discourse. ⁵⁵ However, evidence suggests that donors' negotiating positions were moderated by a discourse of ownership that became prominent at the international level. At one level, only the rhetoric of donors was affected. As a former Finance Ministry official put it, "conditionality is now a bad word in language", while conditionality had still been consciously and overtly applied in the early period (2001–2004). ⁵⁶ Yet actual negotiating behavior was affected too: The head of economic cooperation at the Japanese Embassy described how Japanese opposition to Ghanaian legislation that would have restricted foreign corporations' access to the Ghanaian market had to be curtailed due to the importance ascribed to recipient government ownership. ⁵⁷

3.5 Agency and Structure: Recipient Strategies and Donor Behaviour

The analytical framework outlined above (Section II) stated that conditions do not deterministically produce negotiating outcomes, but rather are mediated by actors' bargaining strategies and behaviour. An assumption of this framework was that the overall weaker party, i.e. the Ghanaian government, would proactively leverage increasingly favourable conditions to its advantage. However, a close analysis of the effect of these conditions on negotiating outcomes in the Ghanaian case revealed that donors' rather than

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⁵³ Former UNDP Ghana Policy Specialist, 19 March 2014.

⁵⁴ In the structural adjustment context, see: Paul Mosley, Jane Harrigan, and J. F. J. Toye, *Aid and Power: The World Bank and Policy-Based Lending* (London: Routledge, 1991). For a more recent account of the implications of being a "success story", see: Lindsay Whitfield, "Aid and Power: A Comparative Analysis of the Country Studies," in *The Politics of Aid: African Strategies for Dealing with Donors*, ed. Lindsay Whitfield (Oxford: Oxford University Press, 2009), 348.

⁵⁵ Former UNDP Ghana Policy Specialist; Head of Economic Cooperation Japanese Embassy; Head of Cooperation at Swiss Embassy.

⁵⁶ Former Official at MoFEP (Director of Multilateral Division).

⁵⁷ Head of Economic Cooperation Japanese Embassy.

recipients' behaviour was more often a key causal factor in producing ultimate negotiating outcomes. This dynamic, in which the overall stronger party relinquishes some influence without being openly challenged by the weaker, is not entirely unexplained in the literature. Habeeb, for instance, includes the phenomenon of "anticipated reactions" in his definition of power: actor A may secure her desired outcome because actor B moderates her behaviour in pre-emption of A's anticipated response. ⁵⁸ In the Ghanaian case, anticipated reaction behaviour is best captured in the World Bank official's description of the effect of non-traditional donors on aid negotiations: "we know, so they don't have to say. It's a negotiation, but this communication seldom takes place like this". ⁵⁹

Yet this leaves unexplained why exactly the government did not leverage the conditions more forcefully and why donors were willing to moderate their negotiating behaviour. As for the former, lack of institutional capacity is a compelling explanation. Ministries are underfunded and often under-skilled. A former Deputy Finance Minister described his misgivings about Ghana's aid negotiating team: Have never been excited about the team that we send out there, because they are usually lawyers who are not necessarily experts in finance ... Whereas the people they are negotiating against are both attorneys and financial experts". A second possible explanation is that while the civil servants interviewed may be frustrated by a failure to bargain more strategically with traditional donors, politicians do not see this as a priority. The gains to be made from negotiating more assertively with traditional donors may seem small, especially as they begin to withdraw funds from the country in light of Ghana's middle-income status and when attention dedicated to non-traditional partnerships may yield greater outcomes. Paradoxically, having more possible partners may mean that the government gets less out of each relationship, as it has less energy to dedicate to each negotiation.

As for donors' willingness to moderate their negotiating objectives without overt pressure, this may be explained by traditional donors' desire to remain relevant and closely involved with the Ghanaian government in the face of competitive pressure. This is best understood with reference to the international level, where traditional donors have adjusted their behaviour in several fora (e.g. the Busan Partnership for Effective Development Cooperation or the G20) to ensure their continued role in an international development architecture increasingly shaped by non-traditional actors.

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⁵⁸ Habeeb, *Power and Tactics in International Negotiation*, 15.

⁵⁹ Official at the World Bank, Accra.

⁶⁰ Lindsay Whitfield and Emily Jones, "Ghana: Breaking out of Aid Dependence? Economic and Political Barriers to Ownership," in *The Politics of Aid: African Strategies for Dealing with Donors*, ed. Lindsay Whitfield (2009).

⁶¹ Former Deputy Minister of Finance.

4. Conclusion

This paper has responded to a gap in the existing literature on emerging donors and the changing development architecture, which has so far failed to consider these shifts from the perspective of aid recipient states. It used the Ghanaian case to show that changing conditions in foreign aid, i.e. the arrival of non-traditional donors as a third party to the negotiation set-up, a declining need for foreign assistance as other sources of revenue provided outside options, and shifting discourse that placed greater emphasis on recipient sovereignty and an equal partnership, were correlated with negotiation outcomes more in line with the recipient government's objectives. The case study was used to elaborate the causal links between changing conditions and changing outcomes. I found that recipient negotiators were not leveraging the conditions to their fullest extent, but rather that traditional donors were moderating their own negotiating behaviour.

From these findings, we can infer certain lessons for policymakers and negotiators from developing countries. Firstly, they highlight that governments need clear objectives in order to benefit from the wider field of development actors. The "revival of triangulation" does little in the absence of a development strategy that donors can be fit into. Secondly, the case study suggests that more assertive bargaining tactics could be used to obtain more favourable negotiating outcomes. In Ghana, the modification in outcomes has been largely due to moderation by donors. There may be further "slack" that the government could take advantage of through tactical bargaining, including leveraging the shifting discourse.

This paper suggests also several avenues for further research. Firstly, the external validity of the correlation identified in the Ghanaian case should be tested in a comparative study of aid recipient states. Secondly, the interplay between actors' negotiating strategies and the conditions should be analysed further. This may be best accomplished through an extended study of the negotiations themselves, rather than through retrospective interviews. Finally, the analysis of this study concluded in 2012, since this was the last year with reliable data. However, Ghana's financial and economic situation has considerably worsened over the last two years, in large part because loans from non-traditional donors, especially China, have weakened the country's fiscal stability. It remains to be seen how long-lasting the power gains described in this paper will be. As talk of a "new African debt crisis" increases, the alternative offered by non-traditional donors may no longer seem so attractive.

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