Foreign Aid in Africa

Learning from country experiences

Edited by

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Contents

ABBREVIATIONS

ACP	African, Caribean and Pacific countries
AD	Arusha Declaration
AFVP	Association Française des Volontaires du Progrès
AVV	Autorité des Aménagements des Vallées des Volta
BCEAO	Central Bank of West African States
BCRB	Bureau de Recouvrement des Créances du Burkina
BEC	Basic Education Consolidation Project
BIS	Basic Industry Strategy
BND-B	Banque Nationale de Développement du Burkina
BOCCIM	Botswana Confederation of Commerce, Industry, and Manpower
BOTSPA	Botswana Population Sector Assistance Programme
BPED	Botswana Private Sector Development Project
BWI	Bretton Woods Institutions
CCCE	Caisse Centrale de Coopération Economique
CERED	Centre de Recherche sur le Développement
CERIDEP	Central Regional Integrated Development Programme
CFA	Communauté Financiére Africaine
CFD	Caisse Française de Développement
CIDA	Canadian International Development Agency
CILSS	Permanent Inter-State Committee for Drought Control in the Sahel
CIRAD	Centre International de Recherche Agronomique pour le Développement
CNRS	Centre National de la Recherche Scientifique
COBEA	Centre d' Observation des Économies Africaines
CONASUR	Comité National pour le Secours d'Urgence (National Emergency Relief Committee)
DAC	Development Aid Committe
DANIDA	Danish International Development Agency
DDF	Domestic Development Fund
DEP	Department for Research and Planning
DOCAGE	Document Cadre de Renforcement de la Capacité Institutionnelle de Gestion de l'Economie
DPSM	Directorate of Public Service Management
ECDPM	European Centre for Development Policy Management
EDF	European Development Fund
EIB	European Investment Bank
EMU	European Monetary Union
ENEA	Ecole Nationale d'Economie Appliquée
EPCDC	European Parliament, Communication on Development Cooperation
ERA	Emergency Relief Assistance
ERP	Economic Recovery Programme
ESAF	Enhanced Structural Adjustment Facility

EU	The European Union
FAC	Fonds d'Aide et de Coopération
FAO	Food and Agriculture Organisation of the United Nations
FASEG	Faculté de Sciences Économiques et de Gestion
FDA	Food Aid
FDI	Foreign Direct Investment
FF	French Francs
FINNIDA	Finnish International Development Association
FODEC	Fonds de Développement Céréalier (Cereals Development Fund)
FSTC	Free Standing Technical Cooperation
GDP	Gross Domestic Product
GNP	Gross National Product
GTZ	Gesellschaft für Technische Zusammenarbeit
HRD	Human Resource Development
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IERD	International Economic Relations Division
IMF	International Monetary Fund
INSD	Institut National de la Statistique et de la Démographie
IPA	Investment Project Assistance
IPA	Investment Project Assistance
IPF	Indicative Planning Figure
ITC	Investment-Related Technical Cooperation
JICA	Japan International Cooperation Agency
JSEIP	Junior Secondary Education Improvement Project
KEPI	Kenya Expanded Programme of Immunisation
LDC	Least Developed Countries
MFDP	Ministry of Finance and Development Planning
MOF	Minstry of Finance
NAO	National Authorising Officer
NDP	National Development Fund
NDPC	National Development Planning Commission
NESP	National Economic Survival Programme
NGO	Non Governmental Organisation
NIP	National Indicative Programme
NORAD	Norwegian Agency for International Development
NORRIP	Northern Region Rural Integrated Programme
ODA	Official Development Assistance
ODC	Overseas Development Council
OECD	Organisation for Economic Cooperation and Development
OFNACER	National Cereals Bureau in Burkina Faso
OPEC	Organisation of Petroleum Exporting Countries
ORSTOM	Institute de Recherche Scientifique pour le développement en Coopération
PAA	Programme d'Appui à l'Administration (Administrative Assistance Programme)

PAFI	Programme d'Appui aux Administrations Economiques et Financières (Economic and Financial Administrative Assistance Programme)
PAMSCAD	Programme of Actions to Mitigate the Social Costs of Adjustment
PBB	Programme/Budgetary Aid (Balance of Payment Support)
PCI	Per Capita Income
PDRG	Projet de Développement Rural du Ganzourgou (Ganzourgou Rural Development Project)
PDRI-HKM	Projet de Développement Rural Intégré du Houet, de la Kossi et du Mouhoum (Integrated Houet, Kossi and Mouhoum Rural Development Project)
PDSF	Public Debt Service Fund
PEIP	Primary Education Improvement Project
PIP	Public Investment Programme
PMU	Project Management Units
PNDC	People's National Defence Council
PNPI	Private Non Profit Institutions
PPPCR	Projet de Promotion du Petit Crédit Rural (Small Rural Credits Promotion Project)
RSF	Revenue Stabilisation Fund
SAL	Structural Adjustment Loan
SAP	Structural Adjustment Programme
SDR	Technical Assistance Personnel
SECAL	Sectoral Adjustment Loans
SOFITEX	Société des Fibres et Textiles
SONAGESS	Société Nationale de Gestion du Stock de Sécurité (National Security Stock Management Society)
STABEX	Scheme for Stabilisation of Earnings from Commodities
SYSMIN	Scheme for Promotion of Mineral Exports
TA	Technical Assistance
TAP	Technical Assistance Personnel
UMR	Unité Mixte de Recherche
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNICEF	United Nations (International) Children's (Emergency) Fund
URADEP	Upper Regional Agricultural Development Programme
USAID	United States Agency for International Development
USD	US dollar
VORADEP	Volta Regional Development Programme
WAEC	West African Economic Community
WALTPS	West Africa Long Term Perspective Study
WFP	World Food Programme
ZEMP	Zambia Education Materials Project

Introduction

Development aid is a phenomenon of the post-war period. As such, it has grown considerably and given rise to a number of institutions, bilateral as well as multilateral, solely employed in delivering aid to poor and developing countries. Aid has traditionally been seen as something temporary, something that can only complement existing national resources and efforts. After almost forty years in existence, aid has become something permanent. Furthermore, in some countries, aid has become a considerable force in the national economy, making those countries more or less completely dependent on it.

During the last five to ten years, aid has been the subject of heated debate. This debate has not only dealt with isolated features of aid, but has touched on the fundamental justification for aid. The debate has been triggered by a combination of events and changes in the post-war world economy. First, the security motives for aid have largely disappeared with the ending of the Cold War. Second, as a result of the changes in Russia and Eastern Europe, the competition for available aid resources has increased. Third, donor countries in Western Europe have faced economic difficulties, forcing them to concentrate their economic policies on combating budget deficits. The public sector has been the chief victim in this process of budget balancing. As part of the public sector, aid has had to face the same adjustment demands as the rest of the sector. Fourth, trailing economic growth in donor countries has sparked vigorous economic policy debate. There has been a much stronger emphasis on market forces, rather than state- led growth. This has spilled over into aid practices, where donors have become much more concerned with policies for achieving growth, rather than maintaining high levels of aid flows. As Riddell puts it; this has led to "questioning the automatic link between addressing needs and helping recipients and providing aid" (Riddell, 1995:3).

Finally, there is aid itself. Without doubt has there been growing disillusionment with the performance of aid. Fighting poverty by supporting economic growth and development in the least-developed countries has been and continues to be a major objective of aid. However, in many countries it has been difficult to see any positive connection between aid and growth and development. Africa is a particularly sad case in this respect. The region has fallen behind the rest of the developing world by virtually any measure. The gap between Africa and the rest of the developing world continues to grow. Is aid a major cause of this development? Or has it prevented an even worse decline in living standards? Or has it had no effect at all? As long as aid agencies and host countries are unable to provide clear answers to these questions, aid will be under fire. Aid effectiveness will therefore continue to occupy a central position in the debate on development in Africa.

It was because of the deteriorating situation in Africa, and the need to find a way out of that situation, that a group of development research institutes jointly agreed to start an international research project on aid effectiveness in 1994. The project was coordinated by the Overseas Development Council (ODC) in Washington. The other institutes were:

Country study	Research institutes	
Botswana	Overseas Development Council, US	Dept. of Economics, University of Botswana
Burkina Faso	Centre d'Observation des Economies Africaines, Orsay, France	ORSTOM, FASEG Ouagadougou, Burkina Faso
Ghana	Overseas Development Institute, London, UK	Institute for Statistical, Social & Economic Research University of Ghana
Kenya	International Development Centre of Japan	Ministry of Planning and National Development Nairobi, Kenya
Mali	ECDPM, Maastricht, Holland	Societé d'Études et d'Application Techniques, Bamako, Mali
Senegal	North-South Institute Canada	ENEA Dakar, Senegal
Tanzania	Centre for Development Research Copenhagen, Denmark	Economic Research Bureau, University of Dar es Salaam, Economic and Social Research Foundation
Zambia	Nordic Africa Institute Uppsala, Sweden	Institute for Economic and Social Research, Lusaka, Zambia

There is no shortage of studies on aid effectiveness. Most of them have tried to address, in one way or another, the question, does aid work?[1.] Our approach was slightly different. The project never intended to answer whether aid works or not. A proper estimate of the effectiveness of aid requires an assessment of what would have happened had aid not been provided. A positive correlation between aid flows and increases in national income is not by itself sufficient

1. Cassen, R. et al.,1886, *Does Aid Work?* Oxford: Oxford University Press,
Krueger, A. et al.,1989, *Aid and Development.* Baltimore: Johns Hopkins University Press,
Lipton, M. and J. Toye, 1990, *Does Aid Work in India?* London: Routledge,
Riddell, R., 1987, *Foreign Aid Reconsidered*. London: Overseas Development Institute,
Mosley, P. et al.,1991, *Aid and Power: The World Bank and Policy—Based Lending*, vol. 1. London: Routledge,

evidence of effectiveness. It cannot be known for sure whether or not national income would have grown at a faster rate in the absence of aid. To analyse the impact of aid would require extensive modelling. Even if such exercises were skilfully done, the outcome of would be subject to much uncertainty. Our project preferred to start by accepting much prima facie evidence that aid in Africa has not been completely effective. We would instead focus our research on identifying and assessing those factors which have been responsible for the nature and impact of aid and to make practical recommendations as to how aid can be made more effective in the future. Thus, the focus of this project is on the determinants of aid effectiveness, rather than on aid effectiveness itself.

Aid effectiveness is defined for the purposes of this study in terms of (a) the given project ability to achieve its set goals and objectives; and, (b) the degree to which such achievements are sustainable. Sustainability in this respect means the project's ability to realise positive benefits over an extended period even after the resources from external sources cease, or are considerably reduced.

In analysing determinants of aid effectiveness, we found that there are three issues which have not received sufficient attention in previous studies: (1) the management capacity of the recipient; (2) the aid relationship; and (3) the sustainability of aid. These issues are common themes in all the country-specific case studies in this book.

The first theme—*the management capacity of the recipient*—focuses on the institutional and individual capacities in the recipient country for managing aid and, also, the development project of which the aid is part. There is no shortage of analytical studies making recommendations to donors about how they should improve their performance. Much more scarce are studies analysing the effectiveness of African aid management and making recommendations about how it should be improved. In recent years, there have been some studies on how the existing economic and political situation has affected the state's management capacity. The conclusion seems to be that there has been a gradual deterioration, in capacity made worse in the short-to-medium term by the dominant policy prescriptions common to structural adjustment policy packages. Thus, while economic and political structures are being restructured and reformed, the African state's capacity to manage its affairs seems to have been seriously weakened. Any positive impact from structural adjustment on state management capacity will obviously not materialise in the short-to-medium term. Yet this is a time perspective which is highly relevant for aid effectiveness. To start addressing these issues, this project focused on the norms, procedures, and institutional structures that shape aid effectiveness in the recipient country. It sought to investigate the factors that, in the present context of Africa, influence the capacity of African governments to identify, design, monitor, coordinate and evaluate individual aid projects and programmes. These dwindling capacities, and the challenge of restoring them, illustrate the conflict between a dominant economic policy paradigm concentrating on macroeconomic management, and the need in African countries for individual and institutional capacities to manage their own development.

This led us to a series of more specific questions that need to be answered:

– How do governments identify, design, monitor, and evaluate aid projects? What institutions, procedures, and types of personnel are involved?
– What is the estimated government outlay on resources for aid? Can we estimate the administrative man hours needed to manage a typical project?
– Is aid integrated into regular planning and budgetary exercises?
– What political, administrative, or resource factors can best explain state capacity to manage aid?
– To what extent can the success or failure of specific projects be blamed on recipient government capacities?
– Which phase in the project cycle is most vulnerable to breakdowns in government performance?
– Which types of projects are least vulnerable to low government capacity? Are there differences between project aid and programme assistance? Are certain sectors particularly vulnerable?
– Learning from previous successes and failures, what is the best way to improve government capacities to manage aid?

The second theme—*the aid relationship*—focuses on the relationship between the donor agency and the African government and its various organisations that help to design and implement a project. The existence or lack of ownership is closely related to the nature of the aid relationship. "Ownership" has been a common catchword in the development debate for some years now. Although it lacks precise analytical definition, it captures something critical for aid effectiveness a sense of involvement. The recipient government's lack of ownership has been a recurrent theme in many aid evaluations. Linked to this has been the lack of empowerment of local stakeholders in aid projects.

This study seeks to introduce the aid relationship as a key object of study for analysing the determinants of aid effectiveness. In doing so, we particularly wanted to highlight the recipient's position and role in the aid relationship. But few insights have been gained into how African governments participate in the aid relationship and the effectiveness whereby they manage aid and enhance its impact on state capacity and economic growth.

Why is the aid relationship so important to understand the effectiveness of aid? What is the aid relationship? The starting point is that aid is very much a joint undertaking between a donor and the government of the recipient country. Aid as a unilateral activity is, at least in theory, accepted by few donors and no recipient countries. The parties join forces to do something together. The aid relationship is, in essence, a practical thing—a working relationship. As such, it can be understood as an interaction between two organisations to do something which is jointly agreed. At a superficial level, one could say that the aid relationship is important for aid effectiveness, because if there is no working relationship not much will be accomplished. This is true but not very helpful, since it does not really clarify why this connection exists. The only conclusion is trivial, if you want to do something with somebody else should you, first, agree that you want to work together, and second, agree on what you want to do together.

The quality of aid clearly depends in important ways on the nature of the relationship between donors and recipient governments. It is widely recognised that aid effectiveness is often undermined by the absence of constructive policy dialogue between donors and recipients. Governments routinely complain of excessive and counterproductive conditions and of tied aid, while donors retort that too often governments fail to carry out their promises and that breakdowns in government performance force them to be more interventionist.

Yet we do not understand well the factors that shape the donor-recipient relationship, particularly from the side of the recipient. Engendering a more effective relationship has proven an elusive goal. Clearly, as a result of the distinct organisational, political, and financial demands they face, donor agencies and recipient governments tend bring different preferences to the policy table. In addition, the relationship has been shaped by the growing dependence of African governments on foreign assistance on the one hand and by the extreme asymmetry in resources and capacities between donors and recipients on the other. As a result, too many projects are almost entirely driven by donor concerns and needs, which ultimately lessens recipient commitment to them and lowers their quality.

Each case study investigated the nature of the bilateral relationship between the donor and the recipient government: its procedures and organisational structures, its evolution over time, its strengths and weaknesses, and how it fitted into the relationship each partner has with other donors.

In order to offer practical guidance on how an effective aid relationship can be established, this project tried to identify the conditions and institutions that were involved, and that best promoted the ownership of aid projects by recipient governments and direct beneficiaries. The project asked how ownership was achieved in successful projects.

In assessing the impact of donor-recipient relations on the quality of aid, the following questions was posed:

- What government institutions are involved in the dialogue? To what extent are technical departments involved? How centralised does the government keep the dialogue with the donors?
- How much of the aid is driven by the donor's procedures and needs?
- What is the perception of government officials of donor procedures and conditions? How would officials involved in the aid dialogue reform it if they could?
- How much of a burden are donor's procedural requirements for government administration? How can one measure this burden in terms of number of donor missions assisted or number of reports filed?
- What donor initiatives during the project cycle are most likely to promote institutional capacity-growth at the government level? Which ones retard it most?

- What type of conditions have donors resorted to ? How are conditions enforced? What has been the impact of donor conditions on project/programme quality?
- How does the government seek to coordinate aid from different donors? What government institutions are involved?
- What could donors do to improve the government's efforts to coordinate aid?

The third theme—*the sustainability of aid*—focuses on the long-term effectiveness of aid. Aid evaluations usually have a very narrow focus on the actual delivery and use of project inputs. They ask, were various inputs delivered on time?, Were they cost-effective?, Did they work as intended? For the most part, however, they fail to investigate the extent to which aid has had a long-term impact on the national socio-economic environment. This means trying to link aid to increases in productive capacity. It also means trying to assess in a more holistic manner the long-term impact of aid, on local social, economic, and political institutions.

Development can be viewed as the progressive overcoming of a series of constraints, shortages, and bottlenecks. How much has aid contributed to that process? Individual projects can be failures if assessed in isolation, but still contribute to development writ large, albeit indirectly and sometimes inadvertently. For example, a project's failure to retain project-trained staff is usually viewed as evidence of ineffectiveness, but we need to ask whether and to what extent that project contributed to reducing the national shortage of skilled labour, and thus to promoting development.

On the other hand, the concept of aid dependency has been advanced in the literature to capture the notion that aid has actually distorted some dimension of development effort. Either large amounts of aid are said to produce a particular kind of "Dutch disease" in the domestic economy, or aid is said to lessen the autonomy and resilience of national institutions by systematically devaluing indigenous capacities, technologies, and cultures. There is a need to unpack and better define the concept of aid dependency, which remains too general. However, it clearly captures issues which the case studies had have to address in order to comprehensively assess the impact of aid on the recipient country.

These are difficult things to investigate. They are further complicated by the fungibility of aid; the fact that international aid for one project allows the government to undertake another project it might not otherwise have undertaken. In other words, fungibility implies that an evaluation of aid should include an assessment of the marginal government project that received no donor assistance. Aid effectiveness has to be assessed in the context of fungibility. Yet this factor has rarely been taken into account, in part because of daunting methodological issues. There is obviously a need to assess the actual fungibility of aid, and if substantial, to assess the relationship between aid projects/programmes and other, non-aided governmental development actions.

To investigate these issues, the project asked a set of questions:

- How much development occurred in the last two decades?
- To what extent can the improvements in infrastructure, human and physical capital, or state capabilities be credited to aid?
- What impact has aid had on the administrative capabilities of central state organisations? Have projects/programmes promoted or undermined them? Which projects have promoted "policy learning", for example, or "learning by doing"?
- What impact has aid had on state and local organisations? Has aid served to centralise state capacities or decentralise them?
- How has aid affected civil society (village-level associations, professional associations, business groups, unions, etc.) and its relationship with the state?
- What has been the impact of aid on distribution, gender, ethnic, or regional factors?
- What non-aided government activities would not have been possible in the absence of aid? More specifically, what would the government have done for a given sector or region of the country in the absence of an aid project?

The issues above form an extremely ambitious agenda. They serve as the cement which holds the various country studies together. The authors have not been bound by any theoretical or methodological restrictions and guidelines, have been quite free to develop their own approach to the analysis of these issues. It was to be expected that not everything was covered in sufficient detail in each case study. The authors may have chosen to emphasise some issues and some questions more than others. Still, an important thread running through all the country case studies are the key issues relating to recipient governments and their perceptions, motivations, needs, and capacities.

The countries selected for inclusion in this project were Tanzania, Zambia, Kenya, Ghana, Botswana, Senegal, Mali, and Burkina Faso. This is a fair sample of African development experiences and, is ideally suited to an analysis of aid effectiveness. Table 1 presents some indicators of their structural features.

The countries represent different geographic regions, histories, and language areas. Their economic fortunes, measured as per capita income, over the last decade have also been similar—recession rather than expansion and growth. Growth in GNP has been sluggish at best. Add to this a difficult budget deficit and an equally troublesome deficit in the balance of the current account. Senegal and Botswana are exceptions to this pattern. Not only are they the only ones classified as middle-income countries, but they have also had respectable increases in PCI between 1980–93. Still, they share with the others a basically neocolonial economic structure, dominated by agriculture, extraction of raw

Table 1. *Characteristics of selected countries*

	PCI USD 1993 (1)	Annual average grow (2)	Balance of pay-ments 1993 (3)	Aid as % of GNP 1993 (4)	HDI 1992 (5)	Debt as % of exports 1993 (6)	Debt as % of GNP 1993 (7)
Tanzania	90	0,1	-935	40	0,36	727	249
Zambia	380	-3,1	-471	23,6	0,43	519	161
Ghana	430	0,1	-828	10,4	0,48	234	48
Botswana	2,790	6,2	n.a.	3,3	0,76	n.a.	14
Senegal	750	4,2	-545	8,8	0,34	186	47
Mali	270	-1	-374	13,5	0,22	267	59
Burkina Faso	300	0,8	-493	16,2	0,23	121	21
Average	715	1,9	-607	16,5	0,4	342	86

Key:
(1) GNP per capita in US dollars—PCI
(2) Annual average growth in PCI
(3) Balance of the current account before official transfers, measured in million US dollars
(4) Aid expressed as net disbursements of official development assistance (ODA) from all sources
(5) The Human Development Index as calculated by the UNDP
(6) Net present value of external debt
(7) Net present value of external debt

Sources:
World Bank (1996), UNDP (1996)

materials, and a sizeable public sector. The export sector, in particular, remains unchanged from the colonial days.

Since independence, these countries have accumulated huge international debts. When measured against the value of export earnings it becomes clear that few of these countries will ever be able to repay their debts, since these are too high in relation to the capacities of their economies. Zambia and Tanzania, in particular, are in a situation where debt servicing has become more or less meaningless.

All the countries have had experience of the international donor community, some more than others. Tanzania and Zambia have been high on the list of most donors. Heavy inflows of aid, combined with economic misfortunes, have resulted in impressive aid dependence. Aid flows accounted for 40 per cent of Tanzanian GNP and 24 per cent of the Zambian GNP. This is about twice the average for the other countries in our sample (10 per cent).

Our project was organised by a number of country teams. Each team consisted of Northern and African researchers. The teams conducted their work independent of each other. However, the work was guided by the common set of issues and questions outlined above. Originally, the project had not planned to publish the country studies in one volume, but to use them as a basis for a comparative analysis of aid effectiveness. As the studies were finalised, we felt that the experiences of aid as revealed in the country cases—were so interesting in themselves that it would be worthwhile to collect them in one volume. (The studies presented here are shortened versions of the original country studies. Most of them were voluminous, many 120–140 pages. Abridging them necessarily meant sacrificing detail, but, it is hoped, not the analytical qualities of each study.)

We now shall continue with the country cases. In a final chapter we return to the three dominant themes of this project—*the management capacity of the recipient, the aid relationship, and the sustainability of aid*. We attempt there to conduct a comparative analysis of the country experiences regarding each of these issues. The purpose is to offer a synthesis of the general lessons learned regarding aid effectiveness.

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Effective Aid Management
The Case of Botswana

Gervase Maipose, Gloria Somolekae and Timothy Johnston

1. INTRODUCTION[1]

Botswana was one of the poorest countries in the world at the time of its independence in 1966 and relied on grants-in-aid from Britain for all of its development spending and most of its recurrent budget. In the subsequent decades, it sustained one of the world's highest economic growth rates, and is now a middle-income country with a GDP per capita of over USD 2000. While much of that growth was made possible by the country's significant mineral reserves—particularly diamonds—international aid was a crucial resource that the government used strategically to develop physical and social infrastructure and diversify its economy.

Botswana is unique among African countries in the extent to which aid resources have been centrally managed and fully integrated into a national development planning and budgeting process. The structures put in place soon after independence for planning and managing all public investment, including aid, were similar in many respects to those initially established in other African countries. Yet while these structures collapsed elsewhere, they were sustained in Botswana.

Botswana is unusual in a number of respects, with a small population, rich mineral endowment, and a record of rapid economic growth and stable democracy. The Botswana experience, therefore, has been dismissed by some as holding few relevant lessons for the rest of Africa. This is a mistake. The challenges faced by Botswana in the decades since independence were not qualitatively different than those facing other African countries; the approach to development, however, has been different. As several observers have noted, Botswana's success has been due in part to good fortune, but mostly to good management (Stevens, 1981). At the same time, lessons must be drawn carefully, without assuming that what has worked in Botswana can easily be transplanted. Neither

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1. Gervase Maipose and Gloria Somolekae are both at the University of Botswana. Timothy Johnston was affiliated with the Overseas Development Council, Washington. This article is based on a study of aid effectiveness in Botswana made by the authors, together with Nicolas van de Walle.

is Botswana's success a cause for complacency for ignoring the myriad challenges the country still faces.

Although many African countries have experienced a vicious cycle of economic decline, loss of state capacity, and political instability, Botswana demonstrates that a country can enter into a "virtuous cycle" when sound economic management and political stability create conditions for further economic and political development. Sound economic planning and policy were the underpinnings of this cycle, creating conditions for growth, attracting investment and donor resources, and facilitating the effective use of mineral wealth. The effective use of resources and the resulting growth created additional resources for investment in human and physical infrastructure, and recurrent costs, further enhancing growth prospects. Political stability and economic prosperity attracted skilled personnel to the country, and meant that nearly all Batswana who trained overseas returned. Strong growth has made it easier to maintain a democratic system and meet the demands of various constituencies. With the era of rapid growth over, however, Botswana now faces a major challenge to ensure these virtuous cycles continue.

With Botswana's "graduation" to middle-income status, aid is no longer a major factor in the national economy or even public investment budget, and most donors are closing their missions or scaling back programmes. The country now faces the challenges of making the transition from state-led growth to fostering the private sector as the primary engine development. A government bureaucracy that was well suited to central resource for management must adapt to foster an enabling environment for the private sector, and confront more complex challenges in the social sectors.

2. ECONOMIC, POLITICAL, AND SOCIAL CONTEXT

Botswana started on its development path with virtually no infrastructure, few productive assets, and a mostly uneducated populace. With a per capita income of USD 240 in 1970, it was one of the poorest countries in the world. Cattle ranching was the only export industry. Much of the country was arid, and severe droughts were a regular occurrence. In spite of this initial poverty, the country sustained annual economic growth rates of 14 per cent through the 1970s and 10 per cent per annum in the 1980s, much of it driven by mining (especially diamonds). Government revenue and spending increased dramatically, from USD 34 million in 1970 to nearly USD 2 billion in 1994 (MFDP, 1994). During this period, the government pursued a policy of redistributing mineral wealth into investments in infrastructure, health, and education. As a result, primary education is now nearly universal and social indicators are among the best in Africa. The infant mortality rate, for example, was 45 per thousand in 1990 compared to 180 per thousand for the rest of Africa. The country remains over 70 per cent rural, but urbanisation rates are high.

The government has sustained an enabling environment for public investment through careful macroeconomic management and has taken care not to spend more than the economy could absorb. Botswana has therefore, avoided the boom and bust cycle common to mineral-driven economies (Harvey and Lewis, 1990). Conservative fiscal and macroeconomic policies have kept inflation below 15 per cent and led to the accumulation of large budgetary and foreign exchange surpluses since the mid-1980s. The resulting government cash balances and foreign exchange reserves (currently USD 4 billion) have been carefully invested by the Bank of Botswana; profits from investments are now the second largest share of government revenue.

Botswana has been a stable multiparty democracy since independence in 1966, although the ruling party was never seriously challenged until the most recent election in 1994. The country has a strong tradition of participation and consultation at every level of public life, from the villages to central government. The first president, Sir Seretse Khama, established a precedent for high ethical standards, a strong and independent civil service, and a developmental orientation for government. Corruption was rare until recently.[1] Although democratic, the government has maintained budgetary surpluses despite popular pressure for large wage increases and other redistributive policies. With the ruling party facing the genuine prospect of losing the next elections, however, fiscal discipline and bureaucratic independence may come under growing pressure.

After decades of rapid growth, the economy is now entering a transition period. Per capita growth turned slightly negative for the first time in the early 1990s. Although positive growth is forecast for the remainder of the decade, Botswana faces the difficult challenge of diversifying its economy and encouraging growth of the indigenous private sector. Population increased from one-half million at independence to 1.4 million today, and growth continues to be rapid. Conditions for the rural populace have improved, but inequalities in land ownership, the capital-intensity of the mining sector, and limited income-generating opportunities in rural areas have led to highly unequal income distribution. Redistributing national wealth without creating dependency on transfers remains a major challenge.

3. AID FLOWS AND TRENDS

At independence, Britain provided half the government budget, with the remainder from local taxes and customs revenues. Making the country financially viable was, therefore, a fundamental government priority. To create the conditions for financial independence, the dominant objectives of economic policy

[1]. Several scandals involving senior officials have occurred in the past decade, but unlike similar cases in countries where corruption is endemic, those found responsible were dismissed.

were: ending grants-in-aid from Britain; diversifying sources of aid to reduce dependence on one donor; and attracting private foreign investment.

From only USD 4.9 million in 1970, aid flows increased during the 1970s as the government sought assistance for major mining projects, basic physical and social infrastructure, and education and training. By 1973, Botswana no longer required grants-in-aid from Britain to balance the recurrent budget, and subsequently devoted all aid resources to development activities. Total assistance peaked in the 1980s at nearly USD 240 million, or nearly USD 200 per capita, making Botswana one of the highest per capita aid recipients in the world. After averaging around USD 140 million between 1980 and 1992, aid has subsequently declined steadily as donors have reduced assistance and closed resident missions.

Investment in mining projects was the major factor behind the high rates of GNP growth during the 1970s. The majority of mining investments, however, came from private sources, while aid helped finance supporting infrastructure. High levels of private investment meant that aid only constituted 5.5 per cent of GDP in 1971, and peaked at 8 per cent of GDP in 1987. Thus while it was a significant source of national income, aid has not dominated the economy. The significance of aid in the first decades of independence is more clearly seen when examining government expenditures. Even after the end of British grants-in-aid in 1973, aid provided 45 per cent of total government expenditure and was still nearly 20 per cent in 1982—though it had fallen to about 5 per cent by 1993. Aid as a percentage of public-sector development spending fell from a total dependency (100 per cent) between 1967 and 1970 to between 40 to 60 per cent from the late 1970s to mid-1980s to less than 15 per cent in 1992 (Bank of Botswana, various years).

The major sectors receiving assistance have been human resource development, transportation, agriculture, and emergency food relief. Capital assistance attracted the highest level of aid until recently, but declined in the late 1980s as donors moved away from physical infrastructure projects. Technical cooperation was the second most important type of aid, but has dominated since the late 1980s. This reflects the high priority that the government and donors place on addressing the qualitative and quantitative dimensions of the manpower shortage that has confronted the country since independence, and the shift in emphasis towards institutional concerns.

Grants have exceeded loans, even after Botswana attained middle-income status. Because it was so poor at independence, Botswana qualified for grants from many bilateral donors and was eligible for concessionary flows from the major multilateral donors until recently. Even when the financial position of the country improved, the leadership was inclined to negotiate grants, and donors wished to reward the country for efficient use of aid as well as to be associated with a development "success story". The rapid accumulation of budget surpluses in the 1980s coincided with the shift of aid to "soft" projects, which tended to be grant financed and for which the government did not seek loans.

Recurrent droughts led to an increased flow of humanitarian relief during drought years, which was often provided on a grant basis.

Botswana's proclaimed multiracial democracy in the context of a trouble-torn Southern Africa, and its initial poverty earned, it a good name and sympathy from the international donor community. In addition to Britain, the Nordic countries (particularly Norway and Sweden), Germany, and the United States became important bilateral donors. The country's non-aligned orientation made it possible to attract aid from socialist countries such as China and the former Soviet Union. By the early 1980s, no one donor provided more than 20 per cent of aid inflows and more than ten donors were providing significant amounts. The diversification to many donors with differing motivations, operating procedures, and administrative requirements has necessitated strengthened administrative capabilities to manage the development programmes and improve aid coordination. Bilateral aid has usually equalled or exceeded the volume of multilateral aid. The most important multilateral donors have been the European Community, the World Bank, and other UN agencies.

Like many other open economies relying on one or two primary exports, Botswana's revenue can be volatile, and has tended to grow in a series of discrete steps. Government has tried to minimise such disruptions and to avoid a "boom and bust" cycle in the government budget by attempting to stabilise expenditure at a sustainable growth rate. In 1973, the government established three funds to provide for stabilisation reserves, public debt service, and domestic development.

The Domestic Development Fund (DDF) is the key domestic source of funding for development projects. This money, together with finance from external funding agencies, is first paid into the Development Fund and then paid out of it to meet approved project expenditures. The Development Fund serves as a "bridge fund" and helps the government avoid costly delays in project implementation by allowing donors to fund projects on a reimbursement basis. The Revenue Stabilisation Fund (RSF) helps to even-out fluctuations in revenue trends. The Public Debt Service Fund (PDSF) is earmarked for debt servicing. The high level of foreign exchange reserves is a result of a deliberate policy to accumulate as much as possible for unexpected changes in the balance of payments.

Since the country's reclassification as a middle-income country in 1992, aid has declined rapidly. Most of Botswana's major donors are currently either closing their missions or significantly scaling back programmes. The World Bank occasionally provides technical advice, but has not lent since Botswana became ineligible for IDA funds in 1988. The USAID mission closed in late 1995, but USAID will continue to fund some projects through the regional office in Gaborone. Sweden plans to close its mission in 1996. In the eyes of most donors, Botswana has "graduated" from aid.

4. DEVELOPMENT PLANNING AND MANAGEMENT

Development planning is the foundation of Botswana's development management machinery and the basis for its aid management. The start of aid inflows coincided with the beginning of economic planning in Botswana, which helped establish a rational and ordered system for formulating requests for foreign aid. Botswana's dependency on aid at independence led political leaders to emphasise fiscal discipline, the expansion of the revenue base, and securing value for money. A strong planning system was considered essential to achieving these goals.

Unlike the situation in many other countries, planning is not an academic exercise with little operational value. Botswana relies on a six-year planning cycle, with mid-term reviews to update the plans in response to changes in the economic and policy context, modifications in project design or schedules, or the introduction of new projects.[1] The Ministry of Finance and Development Planning (MFDP) has final responsibility for producing the national development plans, while line ministries devise strategies and establish priorities for their respective sectors. Preparations for the next plan begin in earnest at least a year before the plan is released and consume a considerable portion of the time of the MFDP and the planning offices of the line ministries.

The development plans represent a comprehensive and definitive statement of Botswana's national goals and priorities. The national development plans initially were constructed around a "shopping list" of projects for which external finance was sought, which gave donors the flexibility to choose projects, but ensured that projects addressed government priorities. Each development plan listed projects, priorities, and expected foreign exchange sources. As the economy grew, the government increasingly funded its own development projects; aid served to complement government resources.

To ensure coherence between planning and budgeting, overall financial and development responsibilities are integrated into the planning of the Ministry of Finance and Development Planning. The ministry is both politically and administratively powerful—politically headed by the vice-president and administratively led by a senior permanent secretary. The senior permanent secretary is supported by three divisional directors of permanent secretary rank: financial affairs, economic affairs, and administrative division. This structure facilitates close linkages between, and coordination of key development functions.

The division of economic affairs has primarily responsibility for planning and monitoring public investment, including aid. It has two main sections: the development programme section and the macroeconomic section, each with a close functional relationship. Planning officers in the development programme section—whether assigned sectoral portfolios at MFDP or seconded to imple-

1. The first Transitional National Development Plan (or NDP) covered the period from 1966 through 1969. The most recent plans have covered the periods 1979–85 (NDP 5); 1985–91 (NDP 6); and 1991–97 (NDP 7).

menting ministries—are expected to supervise the identification, preparation, appraisal, and monitoring of all projects and programmes. Economists in the macroeconomic section advise on fiscal and monetary policies and economic management generally.

By integrating planning and budgeting into a single ministry, Botswana has been able to plan for all public expenditure, not just public investment. No investment projects—either donor or government funded—are approved unless the government can finance recurrent as well as investment costs. Planning is closely linked to the annual process of recurrent and development budgeting so that quantitative targets are reviewed and updated each year.

Although the plans are officially developed through a chain of planning stages—from the villages through districts to the centre—in reality the central government dominates. The planning process does involve extensive local and national consultation, but central direction and coordination dominate and senior bureaucrats play a prominent role in policy-making. To increase efficiency, the government has taken steps to decentralise economic planning. The government has created planning units in sectoral ministries, assigned planning officers to local authorities, and appointed district development officers. In this way, the process is decentralised. But it can be described as *decentralisation within centralism* or deconcentration of the planning exercise while allowing the centre to retain final decisions on allocation.

The keys to the success of Botswana's planning system are many. The planning cadre concept and Botswana's ability to retain trained and experienced staff are notable in explaining Botswana's good performance. The planning officer cadre (economist cadre) is headed by the director of economic affairs, and is paralleled by the finance officer and personnel officer cadres, under the direction of the permanent secretary, MFDP, and the director of personnel, respectively. The economist cadre facilitates the national development planning responsibilities of MFDP. Although each government agency engages in its own planning processes, they are coordinated by MFDP through the planning officers seconded to sectoral ministries. Planning officers are involved in plan implementation, and they evaluate and monitor projects. No rigid distinction is made between "planning" and "administration". This means that planners are kept in touch with practical realities and ensures that they have a direct influence on all stages of policy formulation and implementation.

Grouping skilled personnel in a common cadre often makes for more efficient use of manpower, helps to ensure common standards and coordination among agencies, and creates incentives for retaining staff. While a planning officer's day-to-day responsibility is to the ministry to which he or she is assigned, he or she remains under the professional supervision of the director of economic affairs.

Political involvement and support: The support of political leaders has been essential to the effective functioning of the planning and aid management system. Parliament approves each national development plan, giving it the force of law.

The close links between planning and annual budgeting are reflected in the plan's status under the Finance and Audit Act. The latter gives legal backing to the plan, strengthening the ability of government to execute the development programmes in it. Development concerns are discussed in detail by the economic committee of the cabinet (which includes all cabinet members). Political leaders, therefore, have understood and endorsed the development plans and strategies designed by the technocrats.[1] Because politicians are consulted and involved to some degree, and they have avoided introducing major new projects that are not incorporated in the original plan.

Economic stability and growth: An important factor that has affected Botswana's development management has been the strength of the Botswana economy. The advantages for planning and aid management have been several. First, a strong economy has meant more disposable income, which facilitated planning. Botswana was able to plan and adhere such plans because she has her own resources. Second, the ability to retain skilled personnel in the government and private sector was enhanced, and other important project inputs (such as equipment and parts) were easier to purchase and maintain.

Continuity in the staff of the MFDP: A unique feature of the ministry of finance and development planning is the continuity in personnel. Although Botswana has not had a significant manpower exodus to other countries owing to good economic performance and political stability, special attention is given to career development of MFDP staff. Remarkably, nearly all the middle and senior officers in MFDP have had a working career of at least ten years, and a number have had tenures of twenty years or more. Many have been seconded or sent for further studies, but the retention rate is exceptionally high.[2] Hence, local professional capacity-building, whether through counterpart arrangements with expatriates or technical assistance or training abroad and at home, has progressed relatively well. Continuity in staff who deal with donors at the managerial and political level means that the government of Botswana has accumulated extensive experience in negotiating with donors. Whereas in many African countries, donor representatives may see key ministry positions change hands several times, it are the Botswana civil servants who watch heads of donor agencies come and go.

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1. The importance of establishing such processes to build national political consensus for development policies may not be fully assimilated by many donors and African governments. Donor efforts to encourage economic reform, for example, have often focused on implementing policies through a small group of technocrats, which often later founder politically. The academic literature on economic reform has tended to argue that certain stabilisation measures—such as currency devaluation—can be undertaken at the stroke of a pen by a small core of technocrats, while major economic reforms require broader political support. In Botswana, however, even short-term stabilisation measures and necessary fiscal adjustments (such as in 1981–82 and in the early 1990s) were discussed by cabinet and approved by parliament.

2. To take two specific examples: the director of economic affairs has risen from the bottom within the same ministry and has been there for eighteen years, and the permanent secretary has been there for all his career—over twenty years. At the political level, the ministry has had three ministers since independence—Masire, now the president, Mmusi, and now Mogae.

Emphasis on Consultation and Consensus: A strong emphasis on consultation and consensus pervades the aid planning and negotiation process. Commitments are not made to new projects until the affected parties are consulted, and often until a general consensus is reached regarding project goals and implementation. The consultation process is often confined to civil servants and political leaders, but for projects or policies that affect large numbers of citizens, extensive public consultation may be undertaken. As a result, donors occasionally complain about the length of time spent to enter into agreements with the government of Botswana, sometimes several years. Government of Botswana officials emphasise that government takes time before signing agreements to ensure that all the pros and cons are understood and that commitments made can be fulfilled. Donors agree that the cautious approach pays off during project implementation, since the government usually has been able to fulfil all its commitments.

Gradual Localisation: Apart from the fact that the country has enjoyed continuity in staff, the government has taken a cautious approach towards localising staff positions. As a result, where foreigners can be used, the country has been quick to deploy their services. The government's strong emphasis on effective planning meant that the MFDP was the slowest to localise, but the process is now nearly complete. Emphasis has been on knowledge and ability, irrespective of nationality. This is partly the result of lack of politicisation of public management in the country. The government's slowness in replacing some long-term expatriate personnel has generated resentment among Botswana colleagues, but the process has generally proceeded smoothly.

5. AID COORDINATION AND MANAGEMENT

The institutional structure through which aid is sought and received in Botswana is highly centralised. The overall responsibility for securing, coordinating, and monitoring external assistance rests with the division of economic affairs in MFDP. Aid negotiation and debt management is also the responsibility of MFDP. The line ministries identify projects and prepare project memoranda, but any initiatives relating to their funding or external support must be taken by the ministry of finance and development planning.

The planning and finance officers of the implementing ministries, seconded by MFDP, plan and supervise aid-funded projects. Implementing ministries usually have regular face-to-face dealings with the aid agency, and may have a larger workload connected to a project than MFDP. The crucial point is that MFDP remains in overall control of all dealings with external funding agencies.

Donor management and coordination is closely linked to development management. The national development plan is used by the government as a prospectus for external aid agencies. It states priorities for assistance and, equally importantly, spells out national policies that any potential donor must respect. Since the projects shown in the plan are approved projects in terms of the Finance and Audit Act, donors are encouraged to fund projects already in the plan. Any modification to a plan policy or substantial alteration to a plan project has to be fully discussed and justified. If a new project is accepted, it is integrated into the mid-term revision or the following plan.

Centralised aid management has several positive consequences: it ensures that donor projects coincide with government priorities, it allows for full accounting for counterpart and recurrent costs, and it facilitates donor coordination. The division of economic affairs has developed considerable knowledge regarding donor strengths and constraints, and is, therefore, usually in a better position than line ministries to match projects to appropriate donors. Several criteria are used. Donor procedures, regulations, and other requirements must not interfere excessively with project implementation. The more flexible donors (such as the Scandinavians) have been asked to undertake projects that are time-sensitive or require greater adaptability to local needs. Donors with more burdensome procedures have been guided towards discrete infrastructure projects or towards technical assistance and training (particularly if commodity procurements are strictly tied to the donor country). The comparative advantages and expertise of various donors have also been important: US agricultural assistance was sought owing to climatic similarities with the American southwest, while the Germans have assisted with vocational training because of their extensive experience in that field.

Centralisation of aid management has improved internal financial control. The accountant general has seconded staff to the budget administration unit (development) who are responsible for keeping the government's grants and loan repayments schedules up-to-date. These staff ensure that payment obligations are met and that a watch is kept on the aggregate government debt to avoid disproportionately large debt-servicing obligations. Centralisation of aid management has made it possible to avoid the practice, common in many other countries, whereby ministries independently solicit money in an uncoordinated manner, creating budgetary and accountability problems.

Centralisation in aid management also facilitates manpower planning. The directorate of public service management (DPSM) is responsible for all civil service recruitment and must approve the establishment of all new posts. Because manpower levels are usually the main determinant of a department's recurrent budget, the national development plans set explicit ceilings for various categories of manpower for each department. These are monitored along with financial ceilings during the annual budget process. For a project to be included in the national development plans, there must be sufficient personnel in the implementing ministry to carry out a project and also ongoing responsibilities.

The government has usually accepted loans only for physical infrastructure, and sought grants for social sectors, technical assistance, and training. Tied aid is accepted for grant assistance, but not for loans. Before accepting tied aid, MFDP tries to ensure that the tying requirements will not unduly reduce project effectiveness or sustainability. The government tries to take donor preferences into account, and has made allowances to accommodate donor interests during project negotiations. Careful management has thus mitigated the oft-cited negative effects on project effectiveness of various donor requirements and procedures (including tied aid).

Unlike many sub-Saharan countries, Botswana is not a Round table (RT) or a Consultative Group (CG) country. Two reasons are advanced for this strategy. First, government officials have found it beneficial to negotiate with donors individually, taking advantage of different donors' approaches, conditions, and attitudes to giving aid, rather than facing them as a group with a unified front. In their view, the conventional strategy of meeting donors as a group has political advantages for donors and circumvents the recipients' negotiation strength. The second and larger point is that the government feels it does not need donor coordination since it already coordinates donor efforts as part of its overall planning. Such large donor meetings were seen as inefficient and unnecessary, producing few useful agreements.

The government has avoided debt or balance of payments difficulties, and has successfully implemented its own adjustment and stabilisation programmes where necessary. As a result, it has never been forced into a Consultative Group process to negotiate collectively with donors as part of a debt rescheduling, economic stabilisation, or structural adjustment programme. None of the donor representatives interviewed felt that national donor coordination meetings were necessary, given the government's strong capacity to coordinate.

To facilitate coordination at the sectoral level, the government has encouraged donors to specialise in a few sectors, so that each sector has had a limited number of donors. Officials said this policy has greatly facilitated coordination and allowed donors to build up expertise in their sectors. It has also reduced the administrative burden on MFDP and line ministry officials, who are not obliged to constantly educate new donors about the needs and requirements of a sector. Similarly, donors have generally found formal sectoral coordination to be unnecessary, although ad hoc meetings of donors involved in related projects do take place.

A large part of Botswana's success in using aid effectively has been attributed to the thorough integration of aid into regular government procedures. In order to improve the information system about external assistance, the government has established a unit on aid coordination within the division of economic affairs. But in every other respect, aid coordination and management are fully integrated into regular government structures. Government contributions to aid programmes and the projected recurrent costs are, therefore, included in national budgets, adding immeasurably to the prospects for project success and sustainability.

Botswana is unusual in that it has, until recently, required that all foreign technical assistance personnel occupy established line positions in the ministries. The government has also consistently refused to create local posts to fulfil implementation requirements for a particular project. Projects must be carried out by available staff, and if sufficient staff are not available, the project will not be approved. The government has made extensive use of foreign operational experts (OPEXers) to fill mid-level technical positions, but official policy is that the foreign experts are to stay only until suitable Batswana are trained to replace them. The government has resisted accepting foreign technical advisors outside line positions out of concern that once the advisors leave, either no one will be available to carry on their work, or the government will be under pressure to create a high level (and high-paying) local post to replace the expatriate.

Problems have arisen when donors ask for counterpart positions, or insist that aid-funded experts act as "advisors", rather than occupy line positions. Citizens to fill counterpart posts may not be readily available owing to the general shortage of educated and qualified Batswana and the manpower budgetary ceilings. The government of Botswana has feared that an uncoordinated approach to filling counterpart positions can lead to the employment of unqualified people for the sake of meeting demand, undermine government priorities for manpower planning, and lead to new development projects that outstrip the economy's capacity to sustain the recurrent costs generated.

While the aid relationship has traditionally been bilateral, increasingly it has become a three-way affair, including the donor, the government, and a non governmental organisation or private sector entity as the actual recipient. Donor support for NGOs has grown tremendously in the past decade. The government of Botswana, for its part, recognises the importance of strengthening these sectors and endorses donor efforts in this regard. Yet it also recognises a central conundrum: the non governmental sector is just that—non governmental. The government does not wish to be drawn into taking responsibility for directly supporting these institutions or their programmes. A concern voiced by several MFDP officials was that donors have a tendency to support private organisations without considering the prospects for their long-term financial sustainability. When the donor project cycle ends, the government is often called upon by donors and NGOs to provide continued funding, which undermines government planning efforts and the independence of the NGO sector.

6. CASE STUDIES OF USAID PROJECTS

To provide a detailed description of the aid relationship, the Botswana case study examined in depth five projects funded by the United States Agency for International Development (USAID). Three were in the education sector, one a private sector development project, and one a population project. The projects are summarised below, and the lessons from these project case studies are discussed in the subsequent sections.

The Primary Education Improvement Project (PEIP) was launched in 1981 as a five-year programme to establish a department of primary education (DPE) at the University of Botswana to train teachers for the teacher training colleges, and to carry out a series of in-service training workshops to improve the skills and motivation of existing teachers. PEIP was initiated by the government and addressed a major government priority. It was extended until 1991 to consolidate and localise the DPE, establish a masters degree programme in primary education, and institutionalise the in-service teacher training network, all of which continue to function effectively five years after the end of USAID support. PEIP was considered highly successful by all parties involved, and was charactersed by a high degree of consultation and collaboration throughout its life.

The Junior Secondary Education Improvement Project (JSEIP) began in 1985 as a comprehensive five-year initiative to upgrade the quality of community junior secondary schools through development of curriculum and instructional materials, strengthening of teacher training, and upgrading of management capacities at the ministry of education (MOE). Although generally consistent with government of Botswana priorities, the initial project design was not genuinely collaborative, creating conflicts between the goals of the "project" and those of the MOE. The project management and goals were substantially revised following a critical mid-term evaluation in 1988. JSEIP made important contributions to junior secondary education in Botswana, but its impact might have been greater if initial project design and management had been more collaborative and sensitive to Botswana's needs and priorities. The ultimately successful efforts by the MOE to reorient JSEIP in line with its own priorities, demonstrated that an assertive recipient can extract value even from an initially flawed project.

The Basic Education Consolidation project (BEC) was launched in 1992 (after extensive negotiations) to consolidate the gains made in teacher training and curriculum development by PEIP and JSEIP. Partly as a result of the JSEIP experience, MOE officials put considerable time and effort into ensuring that project design addressed MOE priorities. Most project resources went to five resident technical advisors, training for Batswana teachers and ministry of education staff, and limited equipment procurement. BEC was to be a five-year effort, but was truncated in late-1995 when to the USAID mission closed. The government was able to continue most of the project initiatives with its own funds, but USAID's early withdrawal did cause disruptions and resentment in the ministry.

The Botswana Private Sector Development Project (BPED) was begun in 1992 as an initiative to strengthen the private sector's capacity to advocate for policy changes, to provide technical assistance to small-scale entrepreneurs, and encourage international investment through sponsorship of investment delegations. Most of BPED's resources went to provide technical support to the policy advocacy and technical assistance programmes of the independent Botswana Confederation of Commerce, Industry, and Manpower (BOCCIM). Although this was the first instance of a donor providing direct support to a private sector entity, both government and private sectors have been pleased with results thus far. The government has adopted a number of policies advocated by BOCCIM, although implementation has lagged in some instances. Sustainability of project initiatives when BPED ends in 1997 will depend on the willingness of BOCCIM's private sector members to provide additional support.

The Botswana Population Sector Assistance Programme (BOTSPA) began in the early 1990s as a programme grant to the government, in which a series of payments were conditional on the government's developing and implementing a comprehensive population policy. Unfortunately, it was poorly conceived and designed. Botswana was already engaged in a long-term process of developing a population policy, which required extensive public consultation. The conditions and timetables established initially by the project were, therefore, inappropriate and unrealistic. Furthermore, the relatively small size of the grant (several million dollars) in comparison to the ministry of health budget meant that the project had little leverage to start with. Little progress was made in the first two years, and the USAID mission redesigned BOTSPA to support several specific population initiatives, and to provide general support to the government process.

All of the projects considered made a significant and (for projects that have already concluded) lasting contribution to development in Botswana. PEIP established a department of primary education at the university that is now entirely localised and has helped train thousands of teachers and teacher-trainers. In spite of initial problems, JSEIP helped establish an independent department of curriculum development and evaluation that is engaged in adapting school curricula to Botswana's changing needs. BPED has already helped improve government policy towards the private sector, and its predecessor projects significantly increased the local staffing and capacity of key government ministries. BOTSPA has introduced effective social marketing campaigns to prevent HIV/AIDS. Although USAID deserves credit for these successes, the impact of each project was considerably enhanced by effective government planning and management.

7. DONOR AID MANAGEMENT

Government commitment to its development policies and priorities does not mean that no work is needed to ensure they are respected by donors, particularly as goals are translated into details. Although all the USAID projects examined addressed government priorities, difficulties were encountered in several (but not all) of the projects during the project design and negotiation process. Of the five projects considered, the project design process was seriously flawed in two instances (JSEIP and BOTSPA), highly contentious but ultimately successful in one (BEC), and relatively smooth and effective in two (PEIP and BPED).

USAID requires that a project paper describe project goals and design in detail. This USAID document is supposed to be written in close collaboration with the recipient, but can be dominated by donor priorities and deadlines. The design process was more successful when the mission (rather than USAID/Washington) was the primary negotiating partner with the government, and the project design team had both the time and commitment to engage in genuine collaboration and consultation with the government and recipients. The PEIP contractor was consistently cited as being highly collaborative, which may explain why project design went so well even though ministry of education negotiation capacity and leverage in 1980 was considerably less than today. In stark contrast, the JSEIP contracting institution was obsessed with its own objectives and under contract to USAID/Washington, not the mission. The initial JSEIP project design was conducted by a large USAID team with little input from key ministry of education officials.

During project implementation, USAID often sought to establish structures and procedures to ensure it retained a measure of control over project implementation. With JSEIP, for example, USAID tried to have the government establish a deputy permanent secretary post just to oversee the project (the government refused). USAID is subject to a range of congressional mandates, and has a tendency to micro-manage projects. While USAID and the government of Botswana usually tried to recognise the prerogatives and responsibilities of the other, tensions and conflicts did arise over control of project resources.

The government worked to ensure that it had influence over project management and all major project decisions. Foremost, it insisted that projects be integrated into existing structures, and strongly resisted any attempts to create project enclaves. Requiring that projects be located within ministries and project personnel placed in line positions ensured that the government retained a measure of control over project resources and personnel. The government has tried to have a voice in what contractor is hired to implement a project, with varying success. While in the early 1980s USAID made all hiring decisions for technical assistance personnel, ministries now usually insist that they be given three candidates to choose from for each position. The latter system has increased government satisfaction with the quality and commitment of USAID technical assistance personnel.

Project coordination structures were established for most of the projects to facilitate communication and implementation among the various parties involved. These committees worked well when they authentically served as a forum for discussing and addressing mutual concerns, such as in the BEC and PEIP projects. In other instances, however, they were seen as either ineffective (JSEIP) or as vehicles for USAID to maintain excessive control over the project (BPED). The case studies suggest that in some circumstances, coordination may not be an unambiguous "good". When the priorities of a donor or project contractor differ from those of the recipient, it may be in the latter's interest to avoid or hinder project coordination.

USAID requires external mid-term and final evaluations for all of its projects. Although evaluation teams usually had only a few weeks in the country to make an assessment, the evaluations helped improve projects (or their successors) in a number of instances. The government successfully used the evaluation process strategically to push for changes in project management and implementation (for both JSEIP and BOTSPA). The highly critical mid-term evaluation for JSEIP resulted in a number of changes that redirected the project in line with the government of Botswana priorities, as did a critical evaluation for BOTSPA. For other projects, evaluations raised important concerns or made recommendations for project improvement.

The case studies found two problems with the evaluation process. First, unless the evaluation team was given instructions otherwise, it tended to evaluate the project based on the goals specified in the project paper, even if the project had since been redirected. Second, assigning credit for success could create tensions. The BEC project had achieved strong recipient ownership and was thoroughly integrated into government structures. An attempt by USAID to lay claim to what the "project" had accomplished generated resentment among some government officials, since they did not see the project as distinct from their own efforts.

8. MANAGING THE AID RELATIONSHIP

The government has been proactive in managing the aid relationship with donors as well as the aid itself. In contrast to many African countries, the aid relationship is characterised by a high degree of trust and mutual respect on both sides. The system for public sector has management contributed significantly to this trust and respect. It has established a clear set of rules and guidelines for donors, and helped ensure that the government honours its commitments. The continuity of the MFDP has also been essential to building strong relations. This does not mean the donor relationships are without conflict and disagreement. The case studies give ample examples of disagreements and conflicts between the government and USAID at both the project and policy levels. Yet instead of avoiding the disagreements, the government usually has sought to resolve them—in other words, conflict itself has been effectively managed. The government's skill, experience, and leverage in negotiating with donors has increased over the years, but the willingness to engage donors directly has been present from the start, and has been a major factor in improving the quality of aid.

While donors readily acknowledge the importance of recipient ownership and ensuring that projects fit within a country's development programme, they are also under pressure to meet deadlines and allocate money. Donors with experience in countries where governments are less proactive in ensuring project relevance and viability, may develop unrealistic expectations about the time required for truly collaborative project design. This seems particularly true of projects that require the participation of a several departments, ministries, or project beneficiaries. The case studies reveal a pattern whereby USAID has often tried to finalise a project's design before the government felt prepared to do so. The problems encountered as a result of hasty JSEIP project negotiations, in contrast with the success of the lengthy discussions leading to the establishment of BEC, illustrate the importance of assertiveness by government officials during project negotiations.

Effective negotiating requires both negotiating skills and leverage. The ability of officials to negotiate effectively with donors and other outside agencies has increased considerably after several decades of advanced training and experience, but Botswana has been cited as a skilled negotiator since independence, hiring needed expertise when it lacked internal capacity (Stevens, 1981). The tremendous increase in financial resources also has given added flexibility in approaching donors, and allowed the government to chart a development strategy that is not dependent on donor approval or support. The growing resource base has thus complemented the government's assertive approach to negotiation.

But financial resources are not the only source of negotiating leverage. Such resources make it easier to refuse aid, but Botswana officials have shown a clear willingness to say "no" even when resources were considerably less. For example, the ministry of education's rejection of the original JSEIP project proposal in the early 1980s forced USAID to negotiate several significant concessions. The willingness to refuse aid, regardless of its development status, is the fundamental basis of a recipient's leverage.

Botswana appears to be one of the few African countries that has been consistently willing to refuse aid for development (as opposed to ideological) reasons. The planning and aid management system seems again to be the key. The rules are clear: if a project is not consistent with the plan, it will not be approved. Perhaps equally importantly, however, the planning system has led to a high level of awareness among officials both in MFDP and line ministries that even grant aid carries with it considerable costs—as several high-level officials put it, "aid is not free". Not only must the government provide counterpart personnel and funds for a good project, but a poorly conceived project can be damaging and disruptive. Yet in many African countries, aid is still treated as a free resource, with the result that donor projects—even bad ones—are rarely refused.

A recipient's leverage does not begin and end at the bargaining table. In the face of scarce resources and donor rigidities, a recipient may choose to accept a project even if aspects of its design are flawed in the hopes of either extracting some value from the project or implementing changes once the project is under way. The practice of assigning technical assistance personnel to positions in line ministries has also helped ensure government control over project implementation. Although less frequent now, Botswana has accepted inadequately designed projects with the intent of influencing them later. The government has avoided, however, simply marginalising donor projects that it does not support (a tactic common in other countries), and instead has tried to modify projects in line with its own objectives.

In addition to negotiating the details of project design, recipients are often subject to donor conditions and requirements. These are generally of three kinds: procedural, project-related, and policy-related. Procedural conditions include accountability and procurement requirements—such as tied aid. Donors vary in the stringency of their rules: the Scandinavians are considered the least restrictive, the European Union the most cumbersome, and USAID in between. The government ameliorated many problems through confidence-building and effective negotiation. Government officials cite with pride a variety of donor regulations from which they were able to negotiate exemptions. They note that in negotiating with donors, it is important to know which restrictions can be modified and which are absolute. For the restrictions that cannot be changed—such as tied aid requirements—the government has developed strategies to mitigate the negative impact on project effectiveness.

Project-grant agreements also contain a number of conditions specifically related to project implementation. These often include government agreements to provide counterpart funds and personnel, provide housing for technical assistance personnel, and select appropriate participants for training. As noted earlier, the government only enters into these agreements after careful assessment that costs can be covered, and receives praise from donors for fulfilling project commitments. Delays have occasionally been a problem, particularly when ministry personnel were stretched thin. The major difficulty has been in the provision of counterparts. The government has always held that providing counterparts is extremely difficult in the context of personnel shortages. Yet until recently, most donors have insisted that local counterparts be provided for every foreign technical expert. As a result, the government and donors have historically played a counterpart "game", where the donor complains that counterparts were not being provided, and the government gives an assurance that it will do something about the problem as soon as possible. Such games, however, have been the exception; relations with donors are usually forthright, and the government has preferred to negotiate exceptions to inappropriate rules where possible rather than feign compliance.

Donor awareness of the importance of the policy environment for project success increased during the 1980s, and donors became more assertive about attaching policy conditions to their projects. In many African countries, discussions of donor policy conditions tend to focus on macroeconomic and fiscal policy. This has not been the case in Botswana. Donors had confidence that the policy regime was working, and consequently rarely tried to use aid flows to exert pressure on economic policies. Donor ability to exert leverage on macro-policies has also been restrained by the declining economic importance of aid. As a result, donor policy dialogue has tended to focus on disadvantaged areas and persons (particularly for Scandinavian countries) and particular sectors (typically the case for USAID).

The government has usually been receptive to policy dialogue efforts by donors and technical assistance personnel and clearly values the comparative experience and advice that donors provide. Outside advice and encouragement sometimes has had a catalytic effect in moving a policy or institutional change forward. For example, ministry of education officials spoke highly of the contribution made by USAID project personnel to the development of basic education policy.

Yet officials stated strongly that although donor advice is valued, they know the local environment better, and reserve the right to choose when to accept and when to ignore donor policy advice. In their zeal to "get the policies right" to ensure the success of "their" project, donors have tended to misinterpret the policy environment or underestimate the ability of institutions to absorb multiple reforms simultaneously. As a result, the tendency of USAID to include explicit policy conditions in many project grant agreements was widely perceived as high-handed and often short-sighted by government officials. Nearly all the case studies reviewed initially contained some form of explicit policy condition, but in no case did there seem to be evidence that the explicit *condition*—as opposed to policy dialogue—sped the reform process. In some cases it may have in fact provoked resistance.

Government officials spoke highly of the positive impact of aid and of their donor colleagues, even when expressing reservations about some adverse aspects of aid. Although aid did not fundamentally change their development goals, it has helped them to achieve those goals more quickly. The technical expertise, training, and comparative experience of donors were particularly valued. In contrast to the suspicions towards donors elsewhere, officials felt that donors were genuinely interested in furthering Botswana's development, even if they did not always agree on the best means to do so.

The closing of donor missions and the reductions in aid were widely interpreted by senior Botswana officials as "punishing success", but most acknowledged and understood the rationale behind the donor decisions, and felt that they would be able to manage without aid. They noted that the circumstances of some mission closures did indicate an imbalance in the aid relationship—where donors hold recipients accountable for aid agreements, but might not honour them themselves. Similarly, while donors insist on transparency in government management of aid funds, some donors were unwilling to fully account for their contributions to projects.

9. FUTURE CHALLENGES

The era of economic boom is over in Botswana, and many donors are now pulling out. Whether or not Botswana will sustain its success will depend on diversification of the economy away from minerals, and achieving a consistent level of economic growth to match population growth.

The country appears to have reached the limits of the old mineral-led and state-directed development model. With no major new mining project on the horizon and mineral revenue flattening out, Botswana must develop a new engine of growth. The government has committed itself to a shift in the overall strategy from the public sector to private-sector led development. New measures may also be required to redirect public expenditure, with extensive cost-recovery provision. Failure to do this could mean low or negative economic growth rates and persistent budget deficits which would erode the country's foreign exchange position and affect investor confidence. Such a downturn would reduce economic opportunities for citizens, generating resentment and political difficulties to a degree not previously experienced. Efforts need to be intensified to encourage Batswana participation in the economy and to target people and areas not sufficiently covered by past development efforts. This would not only reduce the country's dependence on foreign technocrats and entrepreneurs, but would also defuse potential social and political instability.

In response to the dramatic slowdown of economic growth in to the early 1990s, the government adopted the principle of sustainable budgeting and private-sector led growth. This strategy requires that aid and mineral revenues are invested productively, not used for recurrent expenses. Further, operating and maintenance costs arising from that investment must be financed out of future non-mineral revenues. This budgeting approach is an attempt to maintain the country's wealth and generate other sources of income when diamond revenues fall and foreign aid diminishes. These measures demonstrate the government's effort to anticipate problems rather than wait to be "forced" by donors or economic crisis to respond.

The recent changes in Botswana's political landscape, however, could threaten Botswana's record for effective development management. After substantial gains by the opposition in the 1994 election, politicians from the ruling party are questioning the logic of fiscal discipline and tight economic management when the ruling party is slowly losing ground. The system has been rigid and must open up to allow other ideas, which is particularly important within the context of a growing private sector and civil society. But it is no longer certain whether politicians will continue to respect macroeconomic advice and refrain from tampering with the planning and development administrative process. Available evidence points to the contrary. If success is to be sustained, politicians of both parties must renew their commitment to responsible development and economic management and avoid undermining the independence of the civil service.

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The Effectiveness of French Aid—Burkina Faso[1]

Jean-Jaques Gabas, Yves A. Fauré and Alice Sindzingre

PRESENTATION OF THE PROBLEM

Studies of development aid have hitherto tended to focus on the donor. They have made many recommendations concerning the way in which the donors can improve their results. Yet they have never really answered the question why African states have not succeeded in managing the aid better and taking advantage of it to improve capacities and to ensure a certain amount of economic growth. Neither have they made any practical suggestions for remedying these shortcomings. The purpose of this assessment is to study the norms, procedures and institutional structures that determine the effectiveness of aid in the recipient country. It endeavours to pinpoint the factors that enable African governments to identify, plan, supervise, coordinate and assess each aid programme and project. It should be noted in this regard that few governments have effective tools for assessing aid projects and have tended to leave the analyses to donors.

This assessment identifies the institutional conditions and methods that enable public authorities and direct recipients to take charge of aid projects as far as possible.

The study of the effectiveness of French aid to Burkina Faso, therefore, is a detailed examination of a number of basic analytical questions, and puts the emphasis squarely on the recipients in all their diversity and delves into donor-recipient relations.

The many categories of players from donor to end recipient make up what can be termed the development aid sector. The sector's players each have specific expectations of the aid process. Consideration of these different expectations substantially clarifies the analysis of the reasons for the failure and success of cooperative operations and their long-term effects.

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1. This article is based on a larger study of Burkina Faso by a team of researchers from France and Burkina Faso. The team members were: Jean-Jaques Gabas (Université Paris XI), Yves A. Fauré (ORSTOM), Alice Sindzingre (CNRS), Claire Mainguy (Université Strasbourg), Jean Coussy (CERI), Alain Piveteau (doctorant ORSTOM), Souleymane Soulama (FASEG, Ouagadougou) and Jean-Baptiste Zett, (FASEG/Ouagadougou).

The French Aid Players in Burkina Faso

Four main categories of French aid players are involved in strategic decision making, practical implementation of projects and actions, and supervision:

The donors form a large group made up of the French ministry for cooperation, the Caisse Française de Développement, Centre International de Recherche Agronomique pour le Développement (CIRAD), Institute de Recherche Scientifique pour le Developpement en Coopération (ORSTOM), NGOs in France and the local authorities responsible for decentralised cooperation. The financial significance of these donors varies enormously and they are not necessarily included in all the case studies.

Players involved in the decision making/execution process. Contractors and clients are to be found, depending on the sector. The client agency in the recipient country is the one that puts in the order. It may be a central government department (ministry for cooperation), a regional authority, a public enterprise, an NGO, etc. Depending on the circumstance, the action itself may be taken by the central government department or delegated to the local mission or local operators.

The operators are, for example, companies in charge of the actual works for an infrastructure project, or villagers, in the case of a labour-intensive project, etc.

The end recipients form a highly diverse group. Depending on the sectors, they might be farmers, consumers, users of village infrastructure (wells, through roads, etc.), users of community clinics or hospital services, etc.

Effectiveness Criteria

Wherever possible, the assessment of the aid's effectiveness uses an analytical grid incorporating the standard elements, with the emphasis on those issues currently raising most doubt about this effectiveness. Depending on the specific features of each case, an analysis is made of the wanted and unwanted outcomes as well as positive and negative effects.

Fulfilment of Objectives

- The extent of fulfilment of the direct stated objectives when the project or programme was launched. Quantitative and qualitative study: e.g., increase in yields, number of kilometres of road laid, absorption of deficits, compliance with conditions, etc.
- The fulfilment of the implicit objectives which were not stated at the beginning of the project: objectives too general (growth, political support, etc.) to be included in the statement of purpose, objectives that emerge during the project, or "real" objectives that are often unable to be identified until an iterative observation has been made of the explicit goals and the progress of the project.

- The satisfaction of objectives that emerge during the project. The pertinence of the initial objective may be questioned for different reasons: the development of the context surrounding the project/programme being carried out, the real interests of the recipients (which can only emerge during work itself).
- The realisation of indirect effects. These are well covered by project assessment methods. It is hoped that the "effects method" is sufficiently widespread throughout the French-speaking countries for standardised grids and assessments to be available. It is not certain that work is available using the "reference price method", but it would be valuable to have calculations of the positive and negative externalities that are used (or should be used) by those who apply this method.
- The learning effects observed either directly or through the durability of the results and the sustainability of the activity. Here the term sustainability does not mean reliance on foreign aid (as in a dependence study), but taking over the activity by the nationals.

Adverse Effects

- Incentive effects: a drop in the price of scarce products resulting in decreased production and increased imports of these products; an increase in labour supply due to job creation (which generates unemployment via this adverse effect); disruption of the labour market due to the allocation of wages that are too high to become widespread, etc.
- Local activity substitution effects leading to a reduction in jobs, income, and investment that were supposed to increase and intensification of the use of scarce resources.
- Effects of dependence on foreign assistance (financing, personnel, supplies, standard of living of players, etc.). This is the problem of the self-perpetuation of dependence and, sometimes, of the desire or demand for dependence.

Lateral Effects

- Effects on variables other than the "goal-variables", which are often insufficiently studied beforehand.
- Effects resulting from the fungibility of aid. An international aid a project could enable those public authorities with the resources necessary to finance this project to allocate these resources to other projects that would, in the absence of aid, remain unfunded. This makes it necessary to observe projects that have not received donor assistance. Such an exercise obviously poses complex methodological problems. However, it is important to study the relationship between the projects/programmes receiving aid and the public outlays made without aid.

Costs of Projects

- The estimated costs: calls for tenders, their frequency, subsequent disputes, and retrospective criticisms.
- Cost overruns compared with estimates and calls for tenders: inaccurate estimates, lowest bidder trap, no call for tenders, collusion between operator and recipient.
- Deadline overruns and the financial costs of the deadlines.
- The balance of the costs of adverse effects and negative lateral effects.

This analytical grid was applied by taking into account the specific features of the cases studied and the information available.

Causes of Effectiveness/Ineffectiveness

The purpose of this study is to examine the concept of effectiveness. This involves more than a simple evaluation of the cost-effectiveness ratio in the strict sense of the term. In addition to cost issues, most assessments are made in relation to the initial objective. Yet the pertinence of the initial objective may be questioned for different reasons: developments in the context surrounding the project/programme under way, and the real interests of the various recipients (which may only emerge once work has started on the project/programme). As already mentioned, the effectiveness of aid must be assessed from the point of view of the "recipients" in the widest sense of the term. The donors are probably prompted to seek new aid distribution channels by the impression that the recipients are not those that the donors would have elected as part of their initial objectives (or at least not in the proportions observed).

The aim is, therefore, to identify the causes of effectiveness and ineffectiveness by iterative research on the results and the progress of the project. We have, in particular, endeavoured to confirm or refute the influence of certain causes currently arousing the interest of a number of our partners (to the extent of sometimes putting together new effectiveness indicators for them).

Extent of Project Ownership by the aid sector players. Do the local players incorporate the development operation into their daily lives or do they feel like outsiders? Do the nationals ensure that the project endures over the long term (raising the question of the transferability of the project, and the problem of recurring expenses)? More generally, does an approach exist that incorporates aid not as an end in itself, but as a means for the recipient state to manage the project?

Relations between Donors and Recipients (state, NGOs, populations, etc.). What is the starting point for a cooperative operation? Is the aid governed by a supply or demand system? Is aid's effectiveness often compromised by the lack of constructive dialogue between donors and recipients? Do these relations often take the form of mutual recrimination? Governments regularly complain about excessive and even harmful conditions, while the donors complain that public authorities do not keep their promises and have shortcomings that virtually compel them to intervene to a greater extent.

Costs of Uncoordinated Actions, Information, and Transactions. Which constraints represent the donors' demands on and procedures for local government? Can figures be put to these constraints, such as number of assisted donor missions or number of reports drawn up? Which of the donors' in-project initiatives are most favourable to the development of local government institutions and which initiatives put a brake on this development? How does the government coordinate the aid when it wants to?

Quality of Supervision and Assessment by the Sector's Players. Denis Rondinelli (1983) and Albert Hirschman (1967) were just two of those who upheld the argument that projects could only really be successful if they were able to adjust to change and "learn" from their mistakes. This involves deciding which criteria mean that one project rather than another turns its mistakes to good account.

Behaviour of the "Clients" (state, central and local government, NGOs, etc.). There is now a widespread view that states have in the past been the main culprits behind the above mentioned causes of aid ineffectiveness: misuse of funds, distortion, slow procedures, high turnover of managers, overwhelming red tape, low productivity, discontinuity in implementation, ownership of projects not assumed, etc. The case of Burkina Faso, in which a large amount of aid has not gone through the government, can be used to replace conjectural judgements with actual observations of the effectiveness of the other players especially NGOs.

SELECTION OF FRENCH AID ACTIVITIES IN BURKINA FASO AND SOURCES OF INFORMATION

Members of the research team (Jean-Jacques Gabas and Jean Coussy) collected basic data on the aid and its development over time as well as on the donors (bilateral, multilateral, and non-governmental) and placed these aid volumes in a macroeconomic context. This section summarises, analyses, and explains the macroeconomic context surrounding the bilateral relationship between France and Burkina Faso. It also describes the aid as a whole, especially that which passes through the hands of multilateral donors and NGOs. The increasing prominence of economic reform issues in the 1980s brought multilateral conditionality and off-project aid to the fore as matters to be considered.

This first part pays particular attention to the rise in power of NGOs. The number of these new development players has dramatically grown in Burkina Faso (Alain Piveteau). The institutional management study shows how the government machine is managing this aid. How are the various government levels involved in different aid management stages from the project's conception through to its post-completion assessment? What is the rate of financial success, that sacrosanct criterion for aid effectiveness? Where does the central government stand as regards the tendency towards decentralisation of project management (Yves-A. Fauré)?

These questions are addressed as a whole in the first part, "Aid and its Management in a Macroeconomic Context."[1]

This macroscopic section sets out the cooperation actions taken by France. It is largely rounded out by the second and third sections in which a selection of French aid actions has been made. As the terms of reference do not require a comprehensive study, we have picked certain significant areas of French intervention to make a detailed analysis of the effectiveness of French aid.

– Rural development. Five operations have been analysed: French support to the cereal sector (Jean-Jacques Gabas); actions in the AVV (Autorité des Aménagements des Vallées des Volta), PDRI-HKM (Projet de Développement Rural Intégré du Houet, de la Kossi et du Mouhoum), and PDRG (Projet de Développement Rural du Ganzourgou) projects (Yves-A. Fauré in association with Claude Bationo and Anicet Hien); support in restructuring the cotton sector (Claire Mainguy with the assistance of Jean-Baptiste Zett); support to the intermediate mechanisation project (Claire Mainguy with the assistance of Jean-Baptiste Zett); and the PPPCR (Projet de Promotion du Petit Crédit Rural) project promoting small rural loans (Souleymane Soulama and Jean-Baptiste Zett).
– France's assistance to the AFVP (Association Française des Volontaires du Progrès) (Alain Piveteau in association with Germain Guiré).
– Assistance to the reform of economic and financial authorities (Alice Sindzingre).
– Assistance to the banking reform (Jean Coussy).

This work has endeavoured to distinguish the determining *endogenous and exogenous* factors in the effectiveness of aid based on the criteria detailed above. "Endogenous" refers to the project/programme's intrinsic factors, which are easily influenced by the donors and governments. As far as possible, several questions have been addressed for each of the projects:

– Project conception: Were its objectives realistic? Did the recipients participate? Did the desired results have a logical link with the means available? Was suitable technology used?, etc.
– Project responsibility: Was the state motivated by the project/programme?
– Project management: Was the project managed by the appropriate ministry? What were the supervisory, technical assistance, and assessment procedures?

[1]. This section was studied in depth in the initial report, but has been summarised in this study.

– Project environment: What impact did the project have on the social system and on the environment? Was the private sector concerned and/or involved in the project?

"Exogenous" refers to factors that the project or programme cannot influence, at least in the short term. These are, for example: the macroeconomic environment's impact on the project/programme (inflation, growth rate, the effect of poverty); government policies (monetary and tax); world market trends; and climatic and political imponderables (changes in regime and social unrest).

In each of these highlighted sectors, the teams systematically gathered information on how the recipients in Burkina Faso viewed French cooperation players. Surveys were made of some 200 people representing all the aid recipients: Burkinan central government civil servants, managers of state-owned companies, bank managers, private-sector players, NGOs, project leaders and other rural development players, producers in the cotton zone, and traders. Interviews were held with several dozen village players, managers, and users of the infrastructures created by the new rural development projects (PDRI-HKM and PDRG). The transcript of these interviews are often full of information which has been carefully assessed and interpreted in the interests of reliability.

The pertinence and sincerity of the remarks made by interviewees was in no way distorted by the fact that they were asked their views about French aid by non-Burkinan team members. In fact, if was often noted that the presence of a Burkinan in interviews with government officials hampered discussion. Using Burkinan researchers for surveys of recipients' opinions does not, in itself, necessarily produce truer results than those obtained and analysed here.

This consolidated report summarises all the case studies and presents a general discussion of the effectiveness of French aid to Burkina Faso. The various actions analysed already illustrate that the "French" entity covers a large number of highly diverse players, as does the "Burkinan" entity. Yet there can be no overall and monolithic interpretation of the aid and its effectiveness: this is largely dictated by the sectors, periods, and players implementing this aid. Consequently, this study cannot make a simple black and white judgement. The conclusions have to reflect the complexity of the facts.

In addition to the Burkinan party and the members of ORSTOM posted to Ouagadougou, all the members of the Paris team spent two weeks in Burkina Faso. The subjects selected were assigned to those most competent and interviews were held with the Aid and Co-operation mission. In Paris, interviews were held from in June 1995 with bodies such as the CFD (Caisse Française de Développement) and the regional director in charge of Burkina Faso at the ministry of cooperation.

A great deal of primary and secondary documentation was collected and used by team members. The many interviews on both the French and Burkinan sides were rounded out with field surveys and observations of all the issues addressed by this assessment.

AID AND ITS MANAGEMENT IN A MACROECONOMIC CONTEXT

The financing of development in Burkina Faso since the early 1980s involves several structural characteristics that partially condition the country's economic results and also any analysis of the effectiveness of "foreign aid" in this economic transformation process.

A Much Aided Country?

Burkina Faso finances virtually all its economic activities from foreign resources on "soft terms". Total official development assistance stands at nearly 100 per cent of total official foreign resources total.[1] Yet with the negative transfers observed in recent years, because of marking the withdrawal of foreign private companies, this assistance is surpassing the total foreign resources received by Burkina Faso. This shows that private resources in the form of direct investment, portfolio investment, and export credit have never played a fundamental role in financing this country. Moreover, other public sector contributions to market conditions have also been marginal. The structure of official assistance since 1991 reveals a surge in multilateral flows mainly from the European Union and the World Bank. These two bodies account for nearly half the net ODA disbursements in 1993 as opposed to one-quarter in the early 1980s.

In constant dollars, net average ODA disbursements stood at around USD 190 million from 1980 to 1990. They fell sharply during the 1983–87 Sankara era. However, a significant upturn because of the above mentioned multilateral growth was observed as from 1991 and disbursements reached USD 253 million by 1993. Compared with other Sahelian countries, Burkina Faso's foreign financial resources did not increase significantly in the 1980s. Although total assistance to CILSS (Permanent Inter-State Committee for Drought Control in the Sahel) countries more than doubled in ten years—with the main recipients being Senegal, Niger, and Mali—Burkina Faso's ODA resources stagnated. Yet since the beginning the 1990s, there has been a clear shift: Burkina Faso has become attractive to foreign aid. Might this have something to do with the rate and economic circumstances surrounding domestic policies? Since the beginning of this decade, there has clearly been a gradual, albeit initially tortuous, shift towards "democratisation" or at least a free-market economy: the opening up of the regime, the end to emergency measures and the single-party model, progress towards rule of law, the introduction of a constitutional framework, the creation of elected bodies, the organisation of free and competitive elections, the introduction of a multiparty system, etc.

In view of these different developments over the years, and by way of comparison, the average Burkinan received roughly the same amount of aid as the

1. The official development assistance figures given in this study come from the OECD's Development and Aid Committee and from the French Ministry for Cooperation as regards the figures on aid from France. These data do not agree with the statistical data on the balance of payments, which is not specific to Burkina Faso. These differences are mainly due to differences in the operative recording dates and in the exchange rates used.

LDCs[1] and, therefore, the least aid of all the CILSS countries at the end of the 1980s. The average Burkinan received between USD 30 and USD 40 as opposed to an average of USD 100 for Senegal, Gambia, and Mauritania. In 1993, the amount of aid rose to nearly USD 50 while many other CILSS countries have experienced a reverse trend. The image of Burkina Faso as a much aided country should thus be seen against flows over a longer period than just the 1990s. Nevertheless, although this aid is comparatively low, it is no less essential to public investment financing, virtually 90 per cent of which comes from foreign sources (including NGO contributions). These few observations obviously affect the analysis of the effectiveness of foreign aid.

There is another "private" source of development funding, which is significant in both volume and effects. This source is the Non-Governmental organisations. The NGO supervisory office (BSONG) has officially registered no less than 180 NGOs,[2] of which 33 are French.[3] B urkina Faso observers are struck by the number of private non-profit institutions on the economic landscape. Yet, paradoxically, only rough estimates exists for the financial flows through these civilian players as these are barely tracked. Financing through NGO channels is estimated at 15 per cent to 20 per cent of all official assistance received annually by Burkina Faso. This lack of precision regarding NGOs is not due to deficient analysis and observation, but to the deliberate opaqueness of the NGOs themselves (as well as their improvised and incompetent accounting) and the inability of the public services (BSONG) to obtain the necessary information despite regular requests and reminders. This is, therefore, not a question of "means". Most NGOs do not feel obliged to explain their actions or have transparent management.

A discussion of foreign financial flows to Burkina Faso would not be complete without mention of three flows. France pays FF 50 million in military pensions every year (one-tenth of French official assistance in 1994). France also provides defence assistance, which stands at around FF 14 million for the 1990s, with a slight recent decrease downward. Then there are private income transfers, whose positive balance accounted for FF 23 billion in the 1993 balance of payments (steadily decreasing since 1985), which come from Burkinans working in the Ivory Coast.

1. The Least Developed Countries taken as a whole.

2. NGOs accredited by the BSONG are entitled to a string of advantages, mainly in the form of tax breaks. Nevertheless, the total number of NGOs in Burkina Faso is higher than this official figure of 180.

3. The NGOs in France have their "favourite" countries: Mali, Ethiopia, and Burkina Faso.

Difficult but not Alarming Macroeconomic Situation

The purpose of the following paragraphs is not complete macroeconomic analysis of Burkina Faso. The aim is to study foreign aid in relation to a few basic macroeconomic indicators, and, therefore, shed light on their effectiveness.

Relatively Low Dependency

GDP was estimated in 1993 at 856 billion current CFA francs. For that year, ODA financial resources totalled 133 billion CFA francs, or nearly 16 per cent of GDP. Burkina Faso was the least dependent CILSS country, as the ODA/GDP ratio of the CILSS countries as a whole was over 20 per cent. Nevertheless, the currency parity change made on 11 January 1994 automatically doubled foreign assistance in terms of CFA francs and, therefore, increased its relative share in GDP.

Actions by NGOs (all national and foreign operations and financing organisations), included in the national accounts under private non-profit institutions (PNPI) came to 33 billion CFA francs in 1993 (although this figure is probably underestimated). This represents 4 per cent of total value-added and slightly less than 10 per cent of Burkina Faso's service sector.

Downward Trend in Investments

One of the most useful GDP indicators is the investment ratio. The share of investment in GDP has decreased since 1990 from 20 per cent to 17 per cent whereas the rate hovered between 18 per cent and 20 per cent during the 1985–90 period. The structure of domestic investment also seems to have changed: the share of public investments (over 80 per cent-funded by foreign aid) has decreased in favour of private sector investments, which represented nearly 57 per cent of total investment in 1993 as opposed to 53 per cent in 1985. This result would appear to be connected with the redirection of foreign funding to off-project aid, which has been increasing substantially since 1990–91 to the detriment of project aid. Might there be a link between growth in private investment and the observed increase in construction and real estate activity since 1990–91?

ODA Loans Behind the External Debt

Burkina Faso's total outstanding foreign debt (48 per cent of GDP in 1993, as opposed to 30 per cent in 1985) is unique in that, unlike other countries, 90 per cent of it arises from official assistance loans contracted in the 1980s, and totalling USD 1.167 billion at the end of 1994. A large debt forgiveness by France since 1990 has substantially reduced outstanding bilateral public debt, which dropped to USD 22 million by the end of 1994 from a maximum of USD 264 million in 1991. Since the beginning of the 1990s, this debt lent on soft terms has become multilateral (due to structural adjustments) and represented over 90 per cent of Burkina Faso's total outstanding foreign debt at the end of 1994. This multilateral debt can be neither rescheduled nor renegotiated.

The corollary of this form of soft indebtedness is relatively low debt servicing. In 1993, it stood at 1 per cent to 2 per cent of GDP, albeit absorbing 17 per cent of current fiscal revenue, a not inconsiderable share.

Nevertheless, might the moratorium on adjustment assistance repayments signal a dangerous dormant state in the medium term? Future resources are in a sense already partly assigned and the CFA franc devaluation will automatically double debt servicing in terms of CFA francs.

Structurally Favourable Balance of Payments

Burkina Faso's balance of payments has highly specific structural features, which are often quite different from those of most of the CFA countries.

The overall balance has been constantly positive since 1986 (except in 1989 and 1990). This has enabled official reserves to be built virtually every year. Paradoxically, Burkina Faso's per capita GDP places it in a position as a supplier of currency to BCEAO (Central Bank of West African States) operations. In years of crisis, it has even relieved some of the pressure on the zone's operations account caused by the deficits of wealthier countries, especially coastal countries.

Burkina Faso's balance of payments reflects an economy whose commodity exports cover only about half its commodity imports (and only slightly over one-third of the sum of these imports and the balance of services). Private capital inflows are negligible in this regard. However, income sent home by migrant workers and especially official flows (capital and unrequited transfers) augment the currency reserves, excepting in years of crisis. The impression of austerity and caution given by these accounts is, nonetheless, tempered by arrears that have exceeded growth in reserves some years (in 1989 and 1990, although they have been lower in other years).

Accrued Domestic Arrears Constrain the Budget

Accrued arrears in the general state budget grew to 115 billion CFA francs from 1985 to 1990. They then decreased and stood at 72 billion CFA francs in 1993. Domestic arrears remain high at 82 per cent of the state's total accrued arrears. This situation has imposed constraints on the general state budget and has channelled foreign financing (from France in particular) into eliminating off these arrears.

More or Less Healthy Banking Sector over Time Depending Evaluation Criteria

The banking sector in Burkina Faso is a good example of the opinions of political decision makers largely arising from the chosen analytical criteria.

The banking system has been in a slump since the late 1980s. Yet this slump and the subsequent aid from France is also due to a change in criteria to assess management of the banks.

Until recently, assessments highlighted prudence in the management of banks in Burkina Faso. This prudence, combined with structural conditions in the Burkinan monetary and financial system gave the sector surplus liquidity and foreign asset growth not enjoyed by most Franc zone countries. In spite of the dubious nature of some bank loans, especially under pressure from government, Burkina Faso rightly seemed more rigorous than other countries. The banks were even criticised for being too conservative.

At the end of 1980s, the assessment criteria were made more precise and the banking system's situation was found to have deteriorated. A much less favourable assessment was made of previous policy and greater attention was paid to the potential for harm from poorly supervised aid to the banking and financial system. In addition to the growing concern of Franc zone authorities regarding this situation, the World Bank and the IMF also became increasingly uneasy. The BCEAO was urged by the banking commission to assess bank balance sheets. This assessment revealed the extent of dubious loans, the lack of equity capital, and the risk of a number of establishments going bankrupt.

Bipolar Agricultural Economy

The cotton sector plays an important role in the economy. It involves two million Burkinans. In 1994, export earnings accounted for 33 per cent of total earnings. In common with the other west and central African countries, Burkina Faso's cotton industry posted remarkable results in the 1980s. In 1986, however, the international market started to slump. The fall in prices undermined profitability, which worsened again in 1991. Up to 1993, the sector was on a irreversible downward slide. In early 1994, the context changed radically and the industry was again able to post a surplus as a result of the devaluation of the CFA franc and the upturn in world prices.

Since the 1985–86 crop year, Burkina Faso's cereals sector has witnessed significant growth in production, especially in maize. Its annual average growth rate from 1986 to 1995 is the highest of all Sahelian countries, approximately 4.5 per cent as opposed to 2.8 per cent for the CILSS countries as a whole. Available maize production, averaging 100,000 tonnes per year from 1960 to 1984, rose to over 410,000 tonnes in 1993–94. The country is relatively independent of imported cereals to satisfy its needs. However, in spite of the good harvests over the last ten years, food aid in millet and sorghum has remained relatively high, thereby depressing local purchases. We can, therefore, observe a relative disjuncture between harvest levels and the level of food aid. Food aid policies have differed between donors, with France and more recently the European Union applying Food Aid Charter principles while the United States, via Cathwell, has continued with programmes that are unjustified in view of the harvests.

Recent Downturn in Aid

The sectoral allocation of official development assistance commitments was remarkably stable in the 1980s and unique among other countries in the subregion. Nearly two-thirds of aid commitments were apportioned to development projects while, at the same time, most economies were entering into adjustments and, therefore, growth in off-project aid. A number of reports were already commenting in 1981 that budget and balance of payment deficits in the former Upper Volta were not as severe as in other CILSS countries (OECD/Club du Sahel, 1981).

There has been no sectoral allocation reversal in the 1990s, although off-project aid has risen sharply with the implementation of structural adjustment programmes and debt-forgiveness by the French treasury. Project aid commitments now represent a smaller share than in the past.

Burkina Faso implemented self-adjustment mainly in the 1980s. Real withdrawal by donors explains why these actions were not fully effective and public finances continued to deteriorate, despite government efforts to remedy out the situation (Zagré, 1994). The adjustment in the "home of honest men" subsequently enabled sorely lacking foreign financing to be remobilised. Why systematically rely on internal resources when foreign partners can ease certain financial constraints? Although structural adjustment is constraining, because the government has to take unpopular measures often, Burkina Faso differs from other countries in that it took action before its economic situation became intolerable and anticipated the Bretton Woods institutions in negotiating its structural adjustment programme.

Aid from France

Aid from France represents a fairly constant percentage of between 25 per cent and 27 per cent of total aid received by Burkina Faso. From 1980 to 1987, French aid stood at an annual average of 300 million French francs, with a sharp downturn during the 1983–87 period. From 1987 to 1994, aid rose significantly to an average of 527 million French francs per year. France is still the leading bilateral donor, but its financial weight compared to the multilaterals has been falling steadily since the signing of the structural adjustment programme.

Some major changes in French aid have accompanied this development.

In terms of institutional players, the French treasury's role has grown with the substantial debt cancellations, after 1990. These absorbed just over 20 per cent of total French aid up to 1994. The role of the Caisse Française de Développement has increased with its growing financing of structural adjustment, which alone accounted for nearly 14 per cent of all aid from France from 1990 to 1994. Three institutions are involved in the appraisal of dossiers on the financing of off-project aid, which makes up nearly 35 per cent of French aid to Burkina Faso. These institutions are the French treasury, the CFD and the French ministry for cooperation. This trilateral decision-making is not without its coordination problems (see below).

Over the last few years, another change in French government cooperation has arisen from the renewed interest in NGOs. In this, French aid is consistent with the general trend in aid to Burkina Faso. However, this new situation should not obscure the major risk that official assistance will be withdrawn from development operations without any assurance that "private aid" is effective. Over and above the lack of information on the exact nature of NGO activities, the task of coordinating these activities and projects and the harmonising them with the sectoral projects is nearly impossible.

As regards sectoral distribution of aid, investment aid from FAC (Fonds d'Aide et de Coopération) and CFD decreased from an average of 50 per cent in the 1980s to 30 per cent in 1994. Although the financial volume of technical assistance has not changed much in current currency since the early 1980s, personnel numbers have halved from 319 in 1981 to 160 in 1994, with a sharper drop in teaching staff than in technicians.

The last change concerns financial conditions. Since the beginning of the 1990s, CFD has stopped granting ODA loans and now deals only with grants. This shift is not independent of the terms of the assessment of French aid to Burkina Faso (April 1989), which stressed that CCCE's (Caisse Centrale de Coopération Economique) financing methods were unsuitable. In 1987 and 1988, more than half of French official assistance was in the form of loans.

Institutional Management of Aid Received

The study of norms, procedures, and central management structures for foreign aid combined with interviews with central government form a valuable source of information for assessing the overall effectiveness of aid.

The handling of project aid follows to a set of relatively clear and rigorous rules, which clearly help to reduce aid leakage. Corruption is much less extensive than in other African countries and Burkina Faso is historically fairly sparing with its expenditure. This reveals the effectiveness of the key departments under the ministry in charge of planning and cooperation. However, this approach is not without problems: the national government's inflexible management of aid is often hard to reconcile with the flexibility expected of projects implemented at local level. Moreover, institutional supervision of projects appears to be handled much better by the ministry for planning and cooperation than by the research and planning departments (DEP) of other technical ministries. Extremely vague evaluations of recurring project costs are also cause for concern. National departments are often dependent on information provided by donors and cannot easily discharge this task. Consequently a great amount of uncertainty exists over what future expenditure to budget.

Surveys of the directorate-general for cooperation exposed an apparent paradox: donors appear to be more careful with grants than loans. Donors request fewer clarifications regarding projects involving loans. This implies that the main criterion that Burkina Faso will repay its loans. Loans are therefore reportedly managed in a more lax manner. However, this paradox seems to be more true of donors who do not wish to see aid perpetuated through the many subsequent phases of the project.

Public investment programmes (PIP) summarise the projects' annual financial components and are a realistic improvement on the old voluntary approach to planning. Nevertheless, these programmes are too "accounts oriented". The PIP financial execution rate remains the main assessment criterion and overshadows more pertinent economic approaches, such as tracking the execution of projects, studying return-on-investment conditions, and, more fundamentally, dealing with capital absorption problems in Burkina Faso. Yet the reason for this highly "financial" attitude to project monitoring is fear of declining foreign financial assistance because of possible competition with other developing regions and general cuts in Development Aid Committee's (DAC) aid budgets. Even though there are no grounds for this concern, it is often brought up by Burkinans in interviews and should be taken into consideration. From an internal institutional point of view, donors consider this disbursement rate and pace criterion to be *the* performance criterion. This places donor and recipient expectations at, odds and does not recompense long-term effectiveness or allow for consideration of and adaptation to realities in the field.

Recently, substantial efforts have been made to improve project steering. A candid study of the situation has focused efforts on rationalising procedures in the central institutions and upgrading project management results and skills. The rise in contracting out project structures, synonymous with decreasing management by the state, has become the desired model. This model is essentially based on recruiting personnel from competing applications, management by terms of reference and performance indicators, and a reform of public contracts. Although this new approach should enhance proficiency of project management structures and increase their effectiveness, it affects the very "Jacobin" foundations Burkinan government. It is, therefore, being opposed by the upper echelons of government.

The same holds true of the implementation of the structural adjustment programmes. Central research and planning departments in the ministries feel cast aside. These structures, already fragile and often powerless, feel further threatened by the creation of horizontal structures such as the "structural adjustment programme monitoring units" and "sectoral agricultural adjustment programme monitoring unit". This again raises a classic effectiveness problem already mentioned above. Structural adjustment programme structures are ad hoc and bypass normal government communications. Moreover, the projects (or programme monitoring structures) are becoming increasingly autonomous. The result is a shifting decentralisation and centralisation and uncertain administrative effectiveness. This fluidity could result in ineffectiveness if research and planning departments, which feel excluded (and cannot be strengthened because of a halt in civil service recruitment) do not take over the structural adjustment programme measures.

Furthermore, the central steering of aid projects hinders a general domestic approach to development actions and problems. Action consists of a large number of ad hoc interventions, which prevents a more consistent programme approach. This highlights the recipient state's problems in harmonising, coordinating, and regulating project aid and underscores the phenomenon of numerous and powerful foreign partners and operators serving as contractors.

Lastly, relations with donors are becoming institutionalised trough frequent meetings, which increase the number of opportunities in during which the Burkinan party can show its proposal capacity and express its goals and ideas. Nevertheless, observation of the project cycle reveals the precise limits within which a national party can really exercise its initiative and take over projects within a mechanism dominated by a "supply effect" (over 85 per cent of the public investments are financed by foreign parties). Burkinans appear to have the most control of aid in the intermediate stages of project, i.e., administrative and financial follow-up. However, Burkinan ability to influence identification and planning of projects is more limited and national coordination capacities have proven modest. In particular, lack of resources and skills for interim and subsequent ex-post assessments means that the impact and effects of projects are largely unknown.

These features of the aid landscape in Burkina Faso form the backdrop to understanding the effectiveness of aid from France in particular.

THE EFFECTIVENESS OF FRENCH AID TO BURKINA FASO: HAS IT FULFILLED ITS INITIAL GOALS?

It is important to underscore the heterogeneity of the aid process even when initiated by one country. Like the recipient entity, the donor entity is not a single body. Admittedly, in their interactions, these two partners can generalise and combine their ideas of the other's personality. But a study of the aid processes and the group of players suggests that aid is not a uniform whole. The aid—its nature, its orientation, its procedures, and its results—vary greatly across sectors, periods, and players/operators. It is virtually impossible—and this is not diplomatic caution, but a methodological result—to sum up French aid in Burkina Faso in a single judgement and to express its qualities and shortcomings in a simple convenient formula. An appraisal needs to include all the real subtleties and be faithful to the empirical complexity of the processes assessed.

The case studies undertaken were:

- Restructuring the cotton sector
- Intermediate mechanisation project
- Project to promote small rural credits
- Support to the cereals sector

- AFVP's small dam projects
- Actions in the AVV, PDRI-HKM, and PDRG projects
- Reform of the economic and financial administrations
- Reform of the banking sector.

The effectiveness of aid has been analysed using a set of questions on the desired effects and unanticipated positive and negative effects at the origin of foreign intervention. These questions were answered by surveying the beneficiaries of the cooperation and by analysis of the often abundant literature. The study then looked at the causes of this effectiveness while still emphasising the views of the parties. What are the main factors behind the successes and failures of cooperative projects financed by France?

The factors involved in productive rural development projects cover a fairly wide spectrum: from projects that achieved their initial goals (rehabilitation of the cotton sector) through those that were oversized (AVV), to those that only partly attained their goals such as AFVP activities and the intermediate mechanisation project. The assessment of projects pertaining more to economic policies is less straightforward: the fact that the measure has been taken does not mean that it had the desired effect and attained its goal (as in the cereals sector).

In the case of the cotton sector, France's ongoing assistance in recent decades has been a clear success in terms of production level, remuneration of producers through productivity gains, and the number of people involved. The sectoral agricultural adjustment programme negotiations have made great headway towards the goal of financially stabilising the sector. The restructuring of the sector has made remarkable progress with the drafting and signing of a State–SOFITEX (Société des Fibres et Textiles) plan contract. However, there have been certain implementation problems such as the inoperative state of the stabilisation fund management committee.

It is still too early to assess the impact of the measures taken to improve relations between players from the different sector. The organisation of cotton correspondents is too recent and the initial handicap too great (due to poor relations between the producers) to be able to see any clear effects yet. However, the forums and other meetings convening the different players in the sector have met with positive feedback from producers. Nonetheless, efforts undertaken for a better representation of producers at the national level can produce significant effects only in the longer term. Reorganisation is under way, but its effectiveness will only be visible when it is completed.

Market Deregulation

France was highly active in devising and drafting the cereals policy. This policy included certain explicit goals, for example, the deregulation of the market and the winding up of OFNACER (National Cereals Bureau in Burkina Faso). Other, implicit goals concerned the reduction in food aid (in reference to the

Food Aid Charter and the conclusions of the Mindelo regional symposium) and a regional approach to food security.

Deregulation is now effective. Yet the fact that the measure has been taken does not mean that the measure is positive or effective for the cereals sector. It has to be said that there are no subsequent assessments. Surveys of traders do not give a clear idea of the effect of deregulation on their activity. The same holds for producers, who do not clearly see how deregulation helps them market their products better.

OFNACER has been wound up after three years of procedures. The other structure, SONAGESS (Société Nationale de Gestion du Stock de Sécurité), is still not operational.

Training Effects

France's aid also seeks to satisfy skills-transfer goals for development projects and certain government departments.

Positive effects on the training and provision of mechanic-blacksmiths can be seen in the intermediate mechanisation project. The same holds true for the PAFI (Programme d'Appui aux Administrations Economiques et Financières) project where the Burkinans interviewed expressed their appreciation for the in-service training.

Social Cohesion Effects

These effects are visible in the intermediate mechanisation project. The mechanisation of farms has enabled larger surface areas to be cultivated and labour needs are expected to be considerable at harvest time in particular.

Local and National Ratchet Effects

The ratchet effects differ according to each project.

The cotton activity has had a ratchet effect on the entire economy and has probably limited the migratory flows to the towns. Ratchet effects can also be seen in the intermediate mechanisation project with the appearance of successful producers who subsequently emerge as potential leaders of producer groups.

AFVP's small dam operations benefited stock-farming, but had negative effects in the form of soil erosion around water supply points. The effects of these small dams on economic activity in the dry season remain negligible.

Indirect Unwanted and Negative Effects

The Burkinans clearly perceive French rural development aid as favouring certain sectors. With some truth, they believe that France favours the cotton sector in its financing, and that it lacks the ability to adapt and diversify in financing. This oft-heard comment is not in itself a sign of aid ineffectiveness; it could eventually become so by confining France to its project approach.

As the role of cotton is strengthened in Burkina Faso, is there not a risk of too much specialisation in exports? Most players are aware of the negative effects of specialisation and of the fragile advantages gained from a product such as cotton, in terms of stability of both public revenue and producer earnings. Yet it is currently the only resource providing monetary earnings and foreign currency and for the farmer. And hardly anything has come out of all the production diversification recommendations, none of which are recent.

In the case of the intermediate mechanisation project, the observed increase in production is due to the growth in farmed surface area rather than yields and is accompanied by a risk of soil degradation.

Although production goals are sometimes met and even surpassed, as with maize production, it has to be said that marketing questions are not addressed at the national level. The result that many producers have found themselves without a market for their products. The project might be effective in productive terms, but not from an economic dimension in terms of markets.

Many cotton plantations are in substantial debt, which affects relations between members of village groupings. Indebtedness is even greater on mechanised farms.

Certain tasks have been made lighter by the intermediate mechanisation project although, at the same time, child and female labour has increased (mainly for harvests). The same holds true of the AFVP's labour-intensive small earn dam projects, which have required long, hard labour sometimes leading to doubt that the structure would ever be completed. The work has often gone on for too long (three to five years) and the populations have become demobilised.

Mitigated Effectiveness

In the case of AFVP, there has been a concentration of earth dams built on the central plateau. The aim is to provide water to the population. The project has, satisfied this initial goal: the population has water. However, dams have not been systematically built in areas with high agricultural potential and the development of land upstream and downstream is not widespread. The project has not been integrated into a wider long-term strategy.

NGOs have entered village and pastoral hydraulic operations without involving the public authorities. There has, therefore, been no monitoring of dam construction and no formal and in-depth reporting on them. Moreover, the trend towards systematically recording costs of dams is only very recent.

Financial or Economic Effectiveness?

An aid operation such as restructuring the banking sector, may prove effective from the point of view of financial stabilisation, but may reduce the effectiveness of the sector in the organisation of further development.

France's aid in restructuring the banking sector is considerable, but the effects remain marginal. Neither the successes nor the problems of this restructuring can be ascribed to this aid. However, through its grants and technical assistance, France is partly responsible for the current restructuring results. The mainstay of the banking system has been preserved in spite of the liquidation of the BND-B (Banque Nationale de Développement du Burkina), a development bank whose loss is regretted by the public authorities. The balance sheets have been stabilised as planned, but future profitability is not guaranteed as there is a shortage of jobs, an abundance of liquid assets, and high costs due to the small size of the banks. The number of banks has been reduced so much that government representatives feel there are now no longer enough of them, although certain banking players still believe there are too many.

The privatisation of banks is advanced when measured in terms of government divestiture, but seems far from complete in light of the number of banks still being carried and the slowness of interventions by foreign establishments that had expressed their interest in the project. Some Burkinan authorities allege that donors place them in a weak position by imposing and publicly announcing the dates on which the banks will be sold. The government's obligation, by virtue of ratification and liberal ideology, to pay the costs of restructuring has paradoxically increased the public financial aid that was supposed to be reduced and has sowed the seeds of indebtedness (see above). The Bureau de Recouvrement des Créances du Burkina (BCRB) has collected very few of the problem loans, to the advantage of the beneficiaries of the former laxity. Moreover, the worst-managed banks have obtained more than the more rigorous ones. This has raised the fear that laxity is encouraged. It is more probable that the memory of the recession will prompt the banks to refrain from any imprudence in loans or development. This will frustrate expectations regarding the ability of the restructured banking sector to increase development credits. Although banks will be in a better position to collect liquidities and guarantee their safekeeping, they will probably endeavour to regionalise or even globalise their uses by internationalising their assets. We may even see a regional internationalisation of the banking system. However, this will depend on the extent of freedom in the inter-bank market.

Underlying the effectiveness criteria in the case studies is a persistent problem. How can projects be separated from macroeconomic conditions? It is often difficult to isolate the effectiveness of a project from the other the economic conditions and their many variables. This is clearly the case with agricultural projects, but also with assistance projects such as the PAFI project. Certain elements of this project have performance criteria that better lend themselves to objective analysis than others: for example, for the INSD (Institut National de la Statistique et de la Démographie), the ability to produce data requested as reliably as possible on time. The task is not so easy for other components. The performance criterion for customs and taxes, for example, is the growth in revenues. Yet for administrations highly dependent on the economy's general performance over which they have no control, it is harder to isolate the improvement due to the project from that due to macroeconomic conditions, and vice versa.

Structuring and Organisational Effects

An indirect consequence of the failure of classically structured, production-oriented, and highly interventionist rural projects based on the anticipated transfer of technical skills, such as that implemented by AVV, is the realisation that economic development actions lose much of their effectiveness if there is no support given to strengthening the institutional structures where these projects are taking place. One of the main achievements of the innovative projects undertaken by the PDRI-HKM and PDRG has been to take care of the local organisational matrix. By working on modest schemes adapted to popular needs, projects have helped people to organise themselves better formulate requests, process dossiers, keep track of work in progress, and manage facilities and activities. Although these institutional effects are still fragile, they are already having consolidation, appropriation, and self-government effects in village development and investment. The only complaint is that financial tracking tools are obviously not suited to this type of project impact.

CAUSES OF EFFECTIVENESS/INEFFECTIVENESS

Coordination

In certain cases, the very existence of numerous donors promotes a sort of mutual dependency in the provision of assistance. It can be suggested that the effectiveness of aid is partly conditioned by the rate of collective progress. For example, in the case of FODEC (Fonds de Développement Céréalier), France and the European Union pooled their financial resources. If other foreign partners do not commit themselves, this institutional package could well remain an empty shell.

The two main players long involved in restructuring the cotton sector are the CFD and Sofitex, although the relevant ministries have always monitored the processes under way and two other donors, the World Bank and the European Union, have been more or less involved at various periods. The relations between CFD and Sofitex are stable. Between the World Bank and France there is more possibility of tension. The quality of relations seems to derive from stability among the donor representatives and Sofitex executives who have taken part in negotiations. The rate of staff turnover in a company like Sofitex is much lower than in the ministries concerned (agriculture, commerce and industry). Staff stability contributes to good coordination and thus effective action.

This question of coordination also arises in the PAFI project. The appraisal at the last donor Round Table (September 1995) was reticent about coordination. Although certain projects are well under way, the goal of complementary and integrated action have not been achieved and institutional development projects are still victim to different donor ideas and disjointed approaches. Moreover, PAFI remains relatively independent of activities financed by the World Bank and UNDP. These projects remain disjointed despite the DOCAGE

(Document Cadre de Renforcement de la Capacité Institutionnelle de Gestion de l'Economie) framework document proposed by the Burkinan government.

However, another type of coordination within French cooperation should not be overlooked. This is coordination between technical advisors in Burkina Faso and central services in Paris, which advisors believe needs improvement.

Underlying this general issue of coordination is the question of project approach. Recipients can detect the rivalry between donors for the elite and they play on it: the project is less public than private property (and a possible source of private accumulation). This viewpoint reverses the ordinary concept of the supply-demand relationship and imbalance, since there is a surplus of supply from donors.

Effectiveness and Quality of Technical Assistance

The effectiveness of an activity involving technical assistance depends to a great extent on the quality of the assistants and experts. Although the personal equation should not be exaggerated, it would be a mistake to ignore the importance of this human and individual aspect.

This is the case, for example, with the PAFI project. A number of Burkinan representatives mentioned their appreciation of the French technical advisor in the central government. This positive view is due mainly to the advisor's competence and ability to adapt, although his everyday presence and sharing of the same material conditions as the Burkinans also helps him to transfer skills. Also important is the educational and training community of interest formed between the technical advisors and their Burkinan partners. These underpin liaison and mutual understanding.

The latent tension between French aid and multilateral aid in strategic financial administration has been eased by the open-mindedness of the technical assistants in the field. However, the effectiveness of the technical assistants could be impaired by the feasibility problems with the proposed reforms.

Technical assistance projects very often combine with a programme to provide computer or other equipment. Upgrading equipment and resources could be an example of immediate effectiveness without structural effectiveness, if the necessary operational standards do not follow. The donor finds it difficult to control this limit to effectiveness. Admittedly, lack of means is often advanced to justify the non-fulfilment of tasks. However, it would be advantageous to synchronise these new means with the institutional reforms of incentives, sanctions, and reorganisation.

Equipment and training derive their effectiveness from consistency and synergy. The parties interviewed expressed great appreciation for the equipment and training assistance provided as part of the PAFI project.

Technical assistance is effective when the nationals have the same training as those providing assistance, since they belong to the same school of thought. Such is the case, for example, with the INSD. The training for executive levels such as economists-statisticians, often provided by the National Economic Administration and Statistics School in France, generates an esprit de corps and shared values about expertise, tasks, and goals. The perception of being an elite, skilled in a highly technical field, can contribute towards more effective development.

Technical assistance is always tricky to target. The whole technical assistance mechanism displays certain inherent problems and Burkina Faso is no exception. The withdrawal of substitute technical assistance and the advantages of regular limited-term expert assistance, to enable better local control can be advocated as more advantageous than long ongoing technical assistance. The latter is sometimes seen (and much mentioned by our contacts) as undermining local capacity in contrast to ad hoc assistance, which is supposed to confer responsibility. Experience has shown, however, that local constraints are sometimes so severe that nothing happens between expert's visits. The occasional complaint that French technical advisors are too prevalent merely reflects an old dilemma. The current state of African administration calls for an organisation perceived as neo-colonial, but partly vindicated by the failure of many non-government projects, which do not share the same conditions, have disproportionate material means, and are, therefore rejected by civil servants. This question of the effectiveness of ad-hoc versus ongoing technical assistance, remains unanswered in the current context of falling numbers of French technical advisors to Burkina Faso.

Effectiveness, Clarity and Intensity of National Demand

The assistance project is more effective when foreign aid optimises the use of technicians' skills in the ministries and when high-level demand exists for analyses and data. For example, when the structural adjustment programme was set up, INSD capacities were sorely lacking. Remarkable progress has been made over the last few years, with motivation being strengthened by the demand and involvement of the supervisory ministry. The ministry was well aware of the INSD's strategic role in monitoring the structural adjustment programme, obtaining economic and financial data for government, and the ability to negotiate with the Bretton Woods institutions. High-level demand and, more generally, a sharper focus on the INSD provided motivation and ensured effectiveness. This element, linked with management awareness and concomitant technical assistance as part of the same thought process, is one of the ingredients typical of an effective project.

Effectiveness and Clarity of Project Goals

A project is all the more effective when it is well targeted. For example, the PAA (Programme d'Appui à l'Administration) is an ambitious project whose many and sometimes vague goals and actions have encompassed performance criteria that are hard to satisfy, thereby making it vulnerable to diverse pressure. PAFI is a modest, but focused project involving swift disbursements and actions. It has generally perceived greater effectiveness potential. This observation also raises the question of poor coordination, the danger of government officials be swamped by experts and the demands of donors, and the risk of work carried out mainly at the request of the donors burdening the normal administration with debt. Clarity and simplification of goals and procedures eases monitoring and is, a not inconsiderable source of aid effectiveness in a context where administrations have unstable norm and meagre capacities.

When government departments reach a point where projects are all that keep them going, it is futile to do more and preferable to do better. Objectives restricted to certain activities financed by foreign aid contribute just as much to improving the running of the administration and especially to internalising new rules. Vast projects with innumerable conditions are seen as a distant universe of foreign orders. Projects such as PAFI, for example, have avoided these pitfalls.

Aid Effectiveness and the Accumulation of Experience

Learning from mistakes is often advanced as an important reason for the success of aid programmes. Such is the case with French rural development assistance, from the AVV activities right through to the PRDI-HKM and PDRG projects.

The assessment reports from the AVV period (1971–91) all underscore the limited effectiveness of the AVV action programme. One of the most frequently raised criticisms was the low rate of goal fulfilment, the exorbitant cost of the project in relation to the recipient farmers, the ponderous AVV structure, and the low number of producers adopting on board the technical model on which the new production system was based. Moreover, a great deal was said about uncontrolled consequences for migratory flows and land ownership, and the ecological imbalance caused by this vast development operation.

However, the assessment reports also identified positive aspects. These were cited as being the spread of new farming methods, water and soil conservation, surplus creation, produce sales in a hitherto largely subsistence economy, and activation of surrounding markets.

In addition to these mixed effects, French Cooperation's rural development approach metamorphosed with the advent of the PDRI-HKM and PDRG projects. The positive and negative aspects of the AVV experience were taken into consideration in the new projects and this is one of the main reasons why PDRI-HKM and PDRG-type projects are effective. The strengths of the AVV programme were capitalised on and the errors analysed.

In other projects, such as the intermediate mechanisation project, it would be instructive to know what the current mechanised rate is. This is because there was much uncertainty surrounding mechanisation's future at the end of the project in 1992 moreover the context has changed considerably since, in particular with the devaluation of the CFA franc.

Lastly, it is worth mentioning that hardly any of AFVP's small dam projects have been subsequently assessed to enable lessons to be learnt and future mistakes to be avoided.

Recurring Expenses and Project Ownership

Nearly half of the nineteen AFVP dams surveyed have deteriorated and require substantial repairs. These dams, built in the 1980s, have not stood the test of time from a technical point of view. There has been no regular maintenance and eighteen of the nineteen dams have not been maintained by the villagers. This extremely low level of responsibility taken for the dams by villagers is due to the fact that the question of ownership was never clearly resolved. Who does a dam belong to? The answer is nobody. This explains the systematic demand for outside maintenance as the local population deemed itself neither owner nor usufructuary of the infrastructure. Another aspect is that technical choices made to keep investment costs down eventually result in recurring expenses, which cannot be paid by the local population. The persistence of water reserves in the dry season was noted in only five of the nineteen cases. Consequently, there is little possibility of diversifying agricultural activities during the dry season.

Aid Effectiveness and the Reform Obligation: The Case of the Banking Sector

France has contributed to the restructuring of the banking sector. However, this operation was not a national initiative. Burkinans in fact criticised the banking system more for its caution in financial matters and development financing than for its imprudence in lending. Even though they now acknowledge that insolvency of the banks made restructuring necessary, they stress that it was requested by the donors. They feel that the donors should take more part in its financing, especially since the financial costs of the operation have proved to be much higher than the initial estimates (problem loans were underestimated, costs of liquidating the BND-B were underestimated, BCRB collected few of the problem loans, the financial results of the privatisation of the banks were disappointing, etc.).

Moreover, the state has been unable to cover these expenses. It has taken out loans with BCEAO and CNSS, secured its debt with the banks, postponed expenditure budgeted in the state flow-of-funds table, and created new arrears. Delays in the execution of the conditions have resulted in suspended structural adjustment assistance, which has served as an excuse for further delays in restructuring. This dialectic, with the heavy interest payments it generated, was only slowed by securing bilateral aid, such as French aid. This enabled restructuring to continue, prevented panic among depositors, and cleared arrears most harmful to business recovery.

French aid was not able to change the framework of negotiations. Although it leads in foreign aid, it is all too clearly in the minority. Moreover, it lacked the will to make this change, as it had adopted the Bretton Woods institutions' options, albeit with certain adjustments. For banking restructuring, this sometimes meant tolerating Washington's extremely explicit criticism of currency and credit policy in the Franc zone. It has criticised CFA franc parity support, the inefficiency of the bank supervision, the state's power over the banks' boards of directors and in the granting of credits, and regulation through central bank regulatory decisions rather than through market incentives. The dialogue between French aid managers and national managers is unusual in that it conveys both blunt repudiations of the previous dialogue and mutual criticisms of the abandonment of the old rules (especially concerning devaluation).

France has also pursued specific goals by allocating 44 per cent of its aid off-project, mainly to deal with credit and arrears problems. In particular, it has forgiven Burkina Faso's foreign debt with France (Dakar I and II decisions). This fact risks being forgotten even though this action represented balance of payments aid equal to half its off-project aid in 1994. France financed the payment of part of the arrears owed by the government and public enterprises, prevented the textile sector from grinding to a halt from lack of internal credit, took part in rescuing the existing banking system, helped certain banks for which some bad debts had been overlooked, and reimbursed small BND-B depositors. Most of these actions were taken in response to requests from national managers. However, internal credit and arrears operations prompted some comment regarding procedures, which were sometimes seen as nit-picking and questioned grants thought to be definite. Also, in this regard, the procedures of Washington institutions are perceived as being more restrictive during negotiations, but less inflexible and less irksome. Moreover, the care taken over defining the exact beneficiaries of loans and debts has led certain parties to suspect this aid of favouring French interests. This is not always untrue (there was a desire to preserve sectors formerly created with French credits), but it has also provoked false rumours (it has been said that the beneficiary companies had to be French when it had clearly been stated that they had to be local).

Planning the Durability of Aid

In spite of the responsible way in which aid is used, despite minimal leakage, and even though the common judgement that the country is highly aided merits being qualified, a philosophy of assistance appears to be developing in certain Burkinan sectors. This philosophy derives from the existence of expectations built on the long-term presence of donors. Aid has become an acquired right, a guaranteed source of income seen as automatically and inevitably decided on and renewed. This could be a threat to the effectiveness of foreign aid.

It is difficult to address this aspect of guaranteed income based on foreign aid as the question of corruption also arises. In a summary assessment of this type, commissioned merely to analyse the effectiveness of aid based on surveys of the recipients, we can only report frequent rumours. Many representatives were themselves struck by the recent increase in corruption in the government.

Burkina Faso plays on its image as "the homeland of honest men", yet procurement contracts increasingly involve overcharging. Furthermore, striking cases of financial embezzlement have been uncovered in the ex-OFNACER, and when France and the European Union asked for a check to be made of payment arrears, the government was amazed.

Improving Recipient Involvement

Increasing the involvement of the national players is seen as a way of improving the effectiveness of aid. The capacity of the recipient state and its agents to initiate, conceptualise, manage, and implement project needs to be enhanced. This said, greater national responsibility and control would also mean, an increase in, particularly, central administration of aid and projects. Where will the corresponding local financial resources come from? Is this outgrowth of services compatible with adjustment policies and the free-market thinking currently directing public decisions? Overly tight steering of aid by foreign parties dispossesses the national party and clearly risks being ineffective. Yet national ownership will inevitably be accompanied by an increase in the cost of the relevant structures.

Considering the Market

A frequently observed and hardly novel cause of aid effectiveness is the incorporation of market concerns. Market-gardening and rice-growing activities were developed as part of the AFVP projects more for the possibilities of outlets (not taken into account by the project when it was launched) than solely because of the presence of water reservoirs. For the maize component of the intermediate mechanisation project, the question of markets has not been satisfactorily resolved since deregulation.

Labour-Intensive Projects

In the AFVP projects studied, one of the reasons for their ineffectiveness was that too much local labour was used to build the small earth dams. Local labour grows tired of working on a structure that takes years to complete because no machinery is used.

Ability to Adjust to External Developments

The situation following devaluation and price increases demonstrates the ability of the sectoral agricultural adjustment programme players to adjust, but leads to a more qualified judgement of the quality of relations between the sector's players. The situation before was one of huge deficit, where aid was essential to stabilise matters and all the players had to accept a drop in earnings. The situation now is one of surplus in which the problem is how to manage the surpluses from the sector as well as possible conflicting goals.

Occasionally Contradictory Goals

Problems can arise with the management of the sectoral agricultural adjustment programme's conflicting goals, such as the intensification of farming versus the deregulation of input prices.

Effectiveness and Political Change and Institutional Consolidation in the Recipient Country

The structural adjustment programme was suggested to/imposed on Burkina Faso when it was under an authoritarian regime resulting from Compaoré's "rectification". Since then, the country has manifested all the elements needed for transition to the rule of law: public debates, setting up a parliament with real powers, a free and independent press, etc. The decision-making process has consequently become singularly less summary. Large lags now exist between initial commitments, implementation, and results, solely because of these changes to the political and institutional structures. Foreign partners have had to adjust to these changes and take account of the new context and political process. The price of opening up the political spectrum as requested by donors, France in particular, could be decreased congruence between and initial expectations, as political freedom introduces a measure of uncertainty. The effectiveness of aid is, therefore, also dependent on the donor's internalisation of these political and institutional changes affecting civilian society and on the donor's ability to adapt to them.

Effectiveness and the Actions Taken by Other Donors: The Case of OFNACER

The winding up of OFNACER was requested by the German cooperation agency and supervised by all the donors. It was impossible for OFNACER or any of the cereals bureaux in the Sahel to function because of the huge structural costs. The costs were due to the German cooperation agency's massive investments in property (the OFNACER head office), a fleet of trucks, and extensive technical assistance. This was a case of reserved domain. In such situations, other cooperation agencies may perceive this domain as being reserved and lose interest in it.

GENERAL CONCLUSIONS AND RECOMMENDATIONS

Having listened to the recipients and observed a number of activities and situations, we conclude this study with some *recommendations*. These recommendations are self-evident and decision-makers are already well aware of them. They concern five key points on which French cooperation players could take action: the quality of technical assistance; the quality of coordination; the clarity of well-defined, circumscribed goals; communications; and the accumulation of experience. These five recommendations refer to the conclusions developed earlier in this document.

The Quality of Technical Assistance: Most players are increasingly aware of the importance of the proficiency of technical assistants and their ability to understand local concerns.

The Quality of Coordination: This is manifestly a fundamental cause of aid effectiveness. It could be improved both between donors and with recipients. There is a great demand from Burkinans for real discussion forums where problems are properly addressed.

The Clarity of Well-Defined, Circumscribed Goals: When projects are well defined and have goals shared by the beneficiaries, even if the goals are modest, they take root better.

Communications: There is not enough awareness of cooperative activities. Without going into the question of an advertising campaign, it is clear that there is a serious deficiency in communications, which often hinders aid effectiveness.

Possibly one of the most important aspects is *the subsequent assessment.* This assessment should form an integral part of the aid process. At present, knowledge of the effects of activities and projects is extremely limited. Experience needs to be accumulated, information on project failures and successes circulated, and assessments expanded from their current "approval-assessment" stance. The French cooperation system's assessments also need to be more accessible. This exercise can only be done on the basis of partnership. It will, therefore, be essential to strengthen local assessment capacities.

Last but not least, one final question: *is aid planning its own demise?* This is the ideal of aid, but whether it is realistic is highly doubtful in the situation under discussion. The country's current poor state (low resources and a balance of trade in structural deficit) prevent an end to aid being envisaged for the time being. How can discussion about a gradual and concerted withdrawal be conducted objectively without adequate consideration of the complex nature of the situation? Could aid then avoid becoming a vestige of the twentieth century?

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Aid Effectiveness in Ghana

Ernest Aryeetey and Aidan Cox[1]

1. INTRODUCTION

By the beginning of 1983, inappropriate macroeconomic and institutional development policies, complemented by various external shocks, led to severe deterioration in Ghanaian economic performance. Large fiscal deficits, financed primarily by borrowing from the domestic banking system, gave rise to high rates of inflation and an overvalued currency. Government intervention in the economy, as well as the massive expansion of the public sector through the establishment of a large number of state enterprises, worsened economic distortions and destroyed incentives to save and invest. The distorted exchange rate discouraged exports, resulting in a sharp fall in export earnings. A severe shortage of foreign exchange and imported goods led to a deterioration in services and a decline in capital investments. There was a decline in real growth and real per capita income, which induced a large proportion of the educated labour force to leave the country.

The poor performance of the economy was characterised by trends which included weak growth in agriculture and industry; poor export performance following low commodity prices and diminishing export volumes; mounting debt within an unfavourable trade climate; worsening social conditions through food insecurity, inadequate housing, rising unemployment, and political instability. As domestic financial resources dwindled, the demand mounted for external assistance to stabilise production and consumption at acceptable levels.

The Ghana government (seen at the time as a radical "socialist" government) opted to restart negotiations with Bretton Woods institutions (BWI) in 1983, after failing to obtain assistance from other socialist governments. In opening its doors to aid inflows from Western countries, which had hitherto almost dried up, the radical government also embarked on a comprehensive economic reform programme that was endorsed by the BWI.[2]

This reform programme, known as the Economic Recovery Programme (ERP), elicted considerable support from the donor community, though their precise motives have been the subject of some debate. Within Ghana, donor

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2. Reference to aid in this report relates mainly to concessionary financing from official donor agencies providing both ban and grant assistance. We extend this in places to cover assistance from other non-government agencies.

motives were perceived variously as arising from national self-interest, commercial factors, historical links, geopolitical objectives, or moral reasons. Stephen Younger (1992) has argued that many donors supported ERP in bandwagon fashion, all wishing to be associated with "a potentially good case". While international support for the Ghanaian reform programme grew and remained significant for most of the 1980s, there are now clear indications that similar support is not likely to be maintained in the coming years—a fact that is often attributed to "donor fatigue".

We seek to show in this report the effect that donor assistance to Ghana had on the Economic Recovery Programme in general, as well assess the effectiveness of particular aid interventions. It will be argued that ERP could not have achieved its positive short-term results without donor assistance, though long-term development goals have been more elusive (World Bank, 1994). Our discussion of various dimensions of aid effectiveness in relation to the aid cycle also shows the lack of clarity with regard to the effectiveness of some aid projects.

1.1 Conceptual Framework for Assessing Aid Effectiveness

In the past decade, there has been a significant conceptual shift on what constitutes aid effectiveness and how it might be assessed. Studies of aid effectiveness have moved away from aggregations of project outcomes, towards more comprehensive assessments of the long-term sustainability of resource flows within countries as a result of aid. Greater interest is being shown in whether recipient governments can perform better in future and harness domestic resources more effectively as a result of current inflows of aid. Riddell (1995) believes there are major problems with measures of aid effectiveness that "investigate the evidence for a favourable positive relationship between the aid provided (in USD terms) and various indicators of development/progress: economic growth, increase in investment, consumption, saving, and performance in relation to a range of human indicators". He suggests there is no need to look for this kind of evidence since many other factors are likely to influence these development indicators. While this may generally be true in the long term, there are sometimes compelling reasons for believing that aid can exert significant positive influences on long-term capabilities of various economies, including when short-term balance of payments support may help revive production and exports. In such situations, there is often widespread consensus that aid has been "useful", representing the first steps towards long-term development.

Although there is no consensus on whether aid in general "works", there is an increasing recognition that aid is most effective when it supports programmes and projects that are "owned" by the recipient country (Barry, 1988; Johnson and Wasty, 1993). "Ownership" refers to the extent to which programmes originate from within recipient authorities as opposed to their being designed and imposed by donors from outside. "Home grown" interventions are believed to be more effective partly because they are more likely to incorporate institutional constraints in addressing the needs of domestic constituencies. The study will focus on donor and recipient perceptions of ownership with respect to the broad reform programme and individual aid projects.

In assessing the effectiveness of aid, it is important to adopt a broad set of criteria that allow for many perceptions of the sustainability of the growth and development process (Riddell, 1995). The objective should be to place the role of the donors in the context of nation-wide efforts at poverty alleviation, i.e., within a holistic framework of a development programme and of various projects. We need to analyse perceptions of donors and the recipient government on how the processes of government have been affected by the introduction of different types of aid, and the nature of the processes and outcomes. Does technical cooperation, for example, strengthen the capacity of government to take into account the needs of households in planning public expenditures? Has balance of payment support increased the capacity of government to meet the demands of households and production agents? Similar perceptions on processes and outcomes of direct project and programme beneficiaries are important in gauging aid effectiveness. In all this, the question of whether aid contributes to poverty reduction will form an important criterion in the assessment.

But apart from these "indicators of aid effectiveness", it is clear that the relationships between donors and recipient governments have undergone considerable adjustment in the last decade, with likely consequences for the impact of aid in recipient countries. Such relationships no longer always fall within the simple parameters of old colonial alliances that shaped bilateral aid for many years. Similarly the bilateral-multilateral aid dichotomy has been considerably overhauled in different countries, in respect of both donors and recipients, as bilateral donors have developed closer relationships with multilateral institutions in the pursuit of policy reform in the last decade. New networks based on new geopolitical and economic interests on both sides increasingly shape donor-recipient interactions, as is witnessed, for example, in the emergence of Japan as one of the most important donors in Africa today. These relationships are important not only in influencing the size of aid flows, but also their impact as a result, for instance, of their implications for donor coordination or conditions.

1.2 Aid to Ghana in Perspective

The last decade has seen a dramatic transformation of the Ghanaian aid map in terms of volume and composition, as the country pursued comprehensive economic reforms (see section 2). There was also a great diversity of perspectives as to the value of aid, reflecting various ideological, emotional, and economic circumstances. The views of the Ghanaian people themselves seldom directly affected the government's attitude to aid during the reform years, though within government there were differences of opinion. Opponents often saw issues of aid and economic reform as synonymous, and argued that the Economic Recovery Programme, being based on neo-classical economic doctrines of free trade, comparative advantage in international trade, and monetary and fiscal policies, would benefit the country's capitalist elements, especially those based in the export sector. (Ninsin, 1991:54) However, the proponents of IMF-style policies had clearly won by 1982, and the scope of support received by Ghana from the Bretton Woods institutions (BWI) is indicated in table 1. What is agreed, across all socio-economic and political groups, is that "aid dependence" has grown enormously and the continuation of economic reforms will likely require continuing and increasing aid in future. The question for many Ghanaians is not whether current and future aid is desirable or not, but "when do we reach that threshold level from which we can take off and make aid redundant?"[1]

Public attitudes to aid effectiveness in Ghana are generally influenced by the degree of familiarity or contact with particular projects or programmes, media information on project performance, and the apparent degree of credibility of donors and government. Clearly, a beneficiary of a rural water project will tend to regard aid to Ghana as effective, while an urban self-employed person seeing large numbers of project vehicles in the streets of Accra is more likely to view aid as having only led to "a new parasitic middle class", strongly dependent on big government and donors. That was certainly the view held by many of the people of Tamale about the Northern Region Rural Integrated Programme (NORRIP) (Aryeetey et al., 1992).

Academics are more likely to differentiate between aid in support of the reform programme and specific project aid. In the 1980s, they rarely voiced opposition to aid and economic reform publicly due to the prevailing "culture of silence". A considerable amount of resentment towards aid and reform was motivated not by concern about the need for reform itself, but by a perceived loss of legitimacy of the regime and a process which did not tolerate debate. The assessments of those who lost in the early ideological struggles often lack objectivity, and they are largely couched in ideological terms.

While we found no evidence of a general governmental view on aid effectiveness, indications from a number of heads of sectoral institutions suggest that both project and programme aid have made those institutions more functional than they otherwise would have been. The same amount of certainty is not displayed about the overall development impact of aid, however. On the other hand, middle-level personnel in many government of Ghana institutions, like the general public, are more likely to look at the effectiveness of aid only in terms of individual projects, and particularly in terms of the numbers of projects their institutions "managed to win".

1. Such views have often been expressed in radio programmes by a large cross-section of society, as was done by a number of callers into the call-in programme of JOY-FM on the morning of 26 September 1995.

Table 1. *Ghana: policy-based loans, 1983–89*

	Year	Amount (SDRm)
IMF		
Standby	1983–84	238.50
Standby	1984–86	180.00
Standby	1986–87	81.80
Extended Fund Facility	1987–90	245.40
Structural Adjustment Facility	1987–90	129.86
Enhanced Structural Adjustment Facility	1988–90	368.10
Total Committed 1983–88		1204.06
World Bank		(USDm)
Reconstruction Import 1	1983	40.00
Export Rehabilitation 1	1984	35.88
Export Rehabilitation 2	1984	40.12
ER 3 (Technical Assistance)	1984	17.10
Reconstruction Import 2	1985	60.00
Health and Education	1986	15.00
Industrial Sector 1	1986	24.95
Industrial Sector 2	1986	28.50
Structural Adjustment	1987	80.90
Education Sector	1987	34.50
Structural Adjustment	1987	14.66
Agricultural Services	1987	17.02
Structural Adjustment	1987	34.00
Institutional Support	1987	10.80
PAMSCAD	1988	10.60
Financial Sector	1988	100.00
Public Enterprise Assistance	1988	10.50
Cocoa Rehabilitation	1988	40.00
Total Amount Committed 1983–88		654.12

Source: M. Martin, (1991)

Donor agents' perceptions of aid effectiveness in Ghana have varied significantly over the period of economic reform. These have been expressed in terms of early dissatisfaction, frustration, indifference, and more recently an increasing respect for the country's ability to absorb and efficiently utilise increasing aid. Views diverge as to the effectiveness of aid in terms of its impact on growth, development, and poverty alleviation. Opinions have tended to change with time, depending on how long donor agents have been associated with reforms in Ghana and particular projects. There is some consensus that certain types of projects, particularly infrastructure projects and small community-based projects, have tended to have greater impact on "the situation on the ground" than others. The effectiveness of technical assistance projects in building capacity has met with the greatest dissatisfaction.

1.3 Objective and Methodology

The focus of this Ghana case study of aid effectiveness in Africa is the donor-recipient relationship and how it is perceived by various parties in the relationship to have influenced the effectiveness of aid. Considering the great diversity of opinion among stakeholders as to the effectiveness of both processes and outcomes of aid to Ghana, it is our intention in this paper to present different perspectives of aid effectiveness, analysing what we regard as dominant views in each important group; i.e., donors, representatives of government of Ghana recipient institutions, and project beneficiaries. Drawing on documentary sources and interviews, we have paid particular attention to the perceptions of various individuals and organisations whose activities in the last decade are generally acknowledged to have helped shape Ghana's aid map.[1] As well as presenting their views, we will include our own assessments of factors that influenced the processes and outcomes.

The effectiveness of aid intended to support an economic reform programme can be assessed in relation to its contribution to macroeconomic stability, growth, and poverty reduction. This is not to suggest that it is easy to isolate the contribution of aid to these processes. It is also essential to assess the impact of the dialogue that take place in the course of the aid cycle and how it influences support for institutional capacity-building for effective aid management, as well as the sustainability of aid programmes. We shall show trends in economic performance in the reform years and argue that they correspond with patterns of aid inflows, thus supporting the notion of aid's short-term usefulness, even if longer-term growth and development have eluded the nation.

Project aid is assessed by examining how the quality of the recipient-donor relationship contributed to effectiveness in four case studies, selected to reflect multilateral, bilateral, and NGO assistance. We analysed how project ownership, good governance, and participation were used in the aid cycle to influence outcomes.

1.4 Report Outline

Section 2 discusses recent trends in aid flows to Ghana, and relates them to the expenditure patterns of government of Ghana (GoG), examining the extent to which the development priorities of donors corresponded with those of the GoG. Section 3 examines the role of aid in starting and managing the economic reform programme, and includes a discussion of ownership. In the fourth section we turn to the management of the development process and the aid cycle in Ghana. It examines the institutional mechanisms for managing aid, the extent to which a single institution exists for this purpose and its capacity, how far donors operate through the "proper" channels of government, and the nature

1. We interviewed donor agents from ten multilateral and bilateral institutions, fifteen representatives of GoG recipient institutions and one NGO.

of donor efforts to build institutional capacity. Other questions include whether aid itself results in an additional financial burden, how far participation is promoted, and the nature of the donor actors and coordination among them.

Section 5 of the report provides short summaries of the four case studies, with a view to highlighting the issues of ownership, governance, and participation in project aid The final section highlights a number of conclusions emerging from the study.

2. COMPOSITION AND TRENDS IN AID FLOWS TO GHANA

2.1 Trends in the Magnitude of Aid

Net ODA (official development aid), including technical assistance from all sources to Ghana fell from USD 303 million in 1980 to USD 233 million in 1981 in real 1990 prices. Total disbursements picked up again and then grew steadily between 1983 and 1989, reaching USD 719 million in 1989, averaging USD 400 million per annum. ODA fell in 1990, to USD 566 million, but increased in 1991 to over USD 800 million in real terms. The sudden increase in 1991 was intended to support two things: first, economic growth had stalled in 1990 and needed a boost; second, political reform was being actively encouraged by donors who felt obliged to support various associated institutional changes.

Table 2. *Trends in donor disbursements*

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
DAC	60.6	95.2	95.7	120.5	130.7	235.8	351.8	264.7	448.9	332.2	-
Non-DAC	-5	-5	-6	3	5	13	4	4	9	-	-
Multilateral	53.7	124.0	106.0	235.9	287.1	328.0	363.4	297.4	424.6	284.3	257.7

Source: World Bank, *African Development Indicators* 1994–95; 1993 figure from UNDP Accra.

Table 2 reveals a considerable decline in aid since 1992 (both in commitments and disbursements). To some extent this reflects the world-wide decline in official development assistance. This has sometimes been related to increasing private capital flows to developing nations, though most African countries, including Ghana, have benefited little from this (World Bank, 1994). A further reason relates to Ghana's particular circumstances, where the massive decline in commitments followed significant macroeconomic imbalances after the elections of 1992, which were generally associated with uncontrolled government spending (ISSER, 1993). The drop in aid commitments was intended by donors to send a message of dissatisfaction to the government of Ghana.

The trends in foreign direct investment (FDI) in Ghana do not warrant confidence that it will soon substitute aid. FDI increased from an average of USD 2.5 million for 1981–86, to USD 4.7 million in 1987, USD 15 million in 1989, and

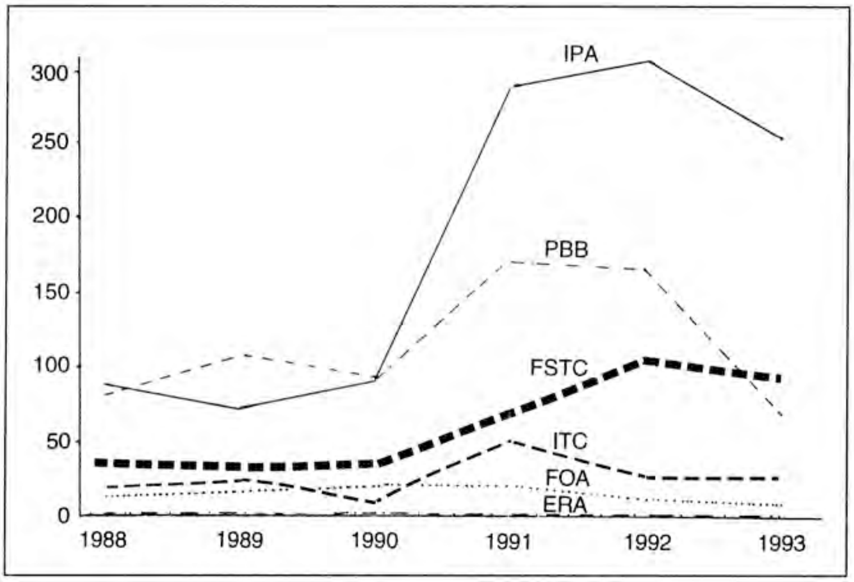
USD 22.5m in 1992. However, the rise was largely in the mining sector, supported by guarantees from the multilateral agencies, and spontaneous direct investment was almost negligible.

Aid has remained a relatively small proportion of GDP, and though ODA disbursements reached almost 9 per cent of GDP in 1992, it fell to 7 per cent by 1993, and it continues to decline. Grants rose from zero in 1983 to 2.7 per cent of GDP in 1993, peaking at 3.2 per cent in 1989. Aid would appear less significant to the Ghanaian economy than is the case for many other countries.

2.2 Composition of Aid

By 1993, some USD 92 million of total ODA was in the form of technical cooperation, USD 12 million was for food aid, and the remainder was divided between project and programme aid to support the adjustment programme. (See Figure 1).[1]

Figure 1. *Trends in types of ODA disbursements (in thousand US$)*



Key:
FSTC—Free Standing Technical Cooperation;
ITC—Investment-Related Technical Cooperation;
IPA—Investment Project Assistance;
PBB—Programme/Budgetary Aid (Balance of Payment Support);
FDA—Food Aid;
ERA—Emergency Relief Assistance.

[1]. Disaggregated data for aid by sector is available only from 1988.

Since 1988, ODA disbursements have shown a higher component of Investment Project Assistance (IPA) and Balance of Payments support. Figure 1 shows that investment project assistance grew rapidly between 1991 and 1992 to become the main focus of ODA. IPA rose from 15 per cent of gross investments in 1988 to about 30 per cent in 1993, when its share in total ODA was over 50 per cent. It is reasonable to relate this trend to contemporaneous increases in Japanese aid to Ghana, since in discussions with Japanese donors in Ghana much greater interest was shown in the development of projects with significant infrastructural content as well as those with considerable commercial orientation.

Investment project assistance was followed in importance by programme/ budgetary aid or balance of payments support (PBB) up to 1992, with the latter averaging 10 per cent of imports between 1988 and 1992. Indeed, PBB also averaged some 76 per cent of the negative current account balance for this period. Programme support was, however, more than halved in 1992–93, mainly as a result of inability to meet agreed programme targets with multilateral agencies. The growth of PBB up to 1992 showed donors' commitment to providing support to counter adverse shocks, particularly in the terms of trade, in order to facilitate reform.

Programme/budgetary aid has been overtaken by provisions for freestanding technical cooperation (FSTC) which have risen steadily over the last decade. Growth in such technical cooperation might be closely related to increasing donor confidence in the capacity of government of Ghana officials and institutions to develop suitable projects, a point that was emphasised by a number of donors during interviews. Food aid grew until 1990, when it reached USD 20 million.

2.3 Sectoral Distribution of Aid and Government Expenditures

Even though ODA is a relatively small part of the GDP, there is some indication that aid to a number of key social sectors is becoming increasingly important in relation to GoG commitments to those sectors and may have begun substituting government social-sector spending. Aid to the social sector has grown steadily in the last decade and has become a crucial part of total spending in the sector, peaking at over one-third of government spending in 1991, and averaging 18 per cent over the 1988–93 period (see table 3).[1]

Increased aid to education, health, humanitarian aid, and relief is cited by donors as indication of their commitment to poverty alleviation and support for poorer sections of the population who have been adversely affected by the economic reforms. The rapid growth of aid to the social sector relative to government expenditure is due not just to increases in aid, but also to the rather slow growth of government expenditures in the social sectors. This represents a

[1]. There is no sectoral breakdown of ODA before 1988.

Table 3. *Spending on social sector development*

	1988	1989	1990	1991	1992	1993
Social Sector ODA/GDP (%)	0.5	0.7	0.9	2	1.6	1.7
Social Sector ODA/Govt. Social Exp. (%)	7.1	10.2	14.4	34.6	22.9	21.2

Source: UNDP, *Development Cooperation Report for Ghana 1989. 1991. 1993;* UNPP, *Quarterly Digest of Statistics*, June 1991, March 1994.

decline relative to other sectors, falling from 45 per cent of total expenditures in 1988 to 40 per cent in 1993.

In the case of the productive or economic sectors, as with the social sector, ODA channelled to them grew faster than government expenditure on them in 1991–93. This stems from increasing donor interest in private sector development, the increasing tendency to pursue projects of a commercial nature, and the growing weight of Japanese aid.

Data from the UNDP Development Cooperation Report for 1993 suggest the dominance of central government as the main recipient of aid. Only four private sector institutions benefited from free standing technical cooperation (FSTC) as against sixty-four government or quasi-government institutions that received such assistance. Of these, the ministry of health received the highest allocation of USD 17.3 million. Ghana Water and Sewerage Corporation received USD 4 million to support water and sanitation programmes, particularly community-based rural water supply. Thus, despite the considerable interest donors continue to show in private sector development, only six private sector institutions received assistance under Investment Project Assistance (IPA). Their share of USD 3.2 million was only 1.2 per cent of total assistance.

2.4 Aid Sources

While multilateral agencies, including the UN system, the World Bank ,and IMF dominated during the 1988–91 period, they have since been overtaken by bilateral DAC donors. In1988, multilateral donors accounted for 69 per cent of all official development aid while only 30 per cent came from bilateral sources. By 1993, the share of multilateral and bilateral donors were about equal in total ODA.

Table 4. *Important multilateral donors (USD million)*

Rank	1970		1975		1980		1983		1985		1988		1990		1992	
1	IDA	3.9	IDA	10.0	IMF	28.9	IDA	16.3	IDA	62.8	IDA	165.0	IDA	184.0	IDA	167.6
2	UNDP	2.7	OPEC	4.4	EDF	8.5	EDF	13.7	AFDF	19.2	ERF	102.9	ERF	61.6	EDF	62.0
3	FAO/ WFP	0.4	UNDP	3.7	IBRD	4.8	FAO/ WFP	9.9	EDF	11.5			EDF	20.1	AFDF	23.5
4	UNICEF	0.4	UN	1.5	IDA	4.6	AFDF	4.0	FAO/ WFP	10.5	EDP	20.4	FAO/ WFP	10.4	UNDP	9.4

Source: UNDP Development Cooperation Reports

Table 5. *Important bilateral donors (USD million)*

Rank	1961	1965	1970	1975	1980	1983	1985	1988	1990	1992
1	USA 2.0	USA 33.2	USA 23.0	Ger 62.9	UK 34.8	Ger 19.1	Jap 24.0	Jap 63.2	Jap 71.9	Jap 71.3
2	UK 0.3	Ita 5.0	UK 12.4	Can 18.4	Ger 26.0	UK 8.2	Can 17.5	UK 49.9	Ger 66.0	UK 55.5
3	Can 0.3	Ger 3.4	Ger 7.0	Ita 12.7	USA 19.0	Jap 7.4	Ger 16.6	Ger 26.4	Can 28.4	Fra 43.9
4		Can 1.5	Can 6.1	USA 4.0	Can 13.9	USA 7.0	UK 11.5	Can 20.9	Net 24.8	Net 41.5

Key: Can—Canada; Ita—Italy; Ger—Germany; Net—Netherlands; Jap—Japan; Fra—France.
Source: UNDP Development Cooperation Reports.

Most bilateral donors have reasonable confidence in multilateral donors, though they may express dissatisfaction with a lack of openness. Recipient officials have pointed to a desire among bilaterals for greater visibility, which may partly explain the changing multilateral/bilateral balance. The most striking change has been Japan's increasingly prominence (as the lead donor since 1985, except in 1987), overtaking the US's traditional lead. Japanese aid is particularly concentrated on construction projects in the transport and energy sectors. Overall Ghana, received 1.0 per cent of all DAC aid, making it the seventeenth largest recipient.

The tremendous growth of Japanese assistance for a long time went almost unnoticed, mainly as a result of the low profile of Japanese officials in Ghana. What many government officials meant by low profile was the non-involvement of Japanese aid officials in what they perceived to be domestic affairs that warranted no donor intrusion. Japanese aid officials were seen to be unlikely to discuss aid issues of a non-technical nature with government and civil society in Ghana. But this appears to be changing. Indeed, during the recent policy dialogue between the Ghana government and the Japanese government in March 1995, the Japanese emphasised the need for "transparency and accountability" in aid use as an important principle for maintaining the support of Japanese taxpayers.

The motives for the increase partly lie in the declining need for ODA in other regions of the world, particularly East Asia, making it possible to increase Japanese aid to Africa, particularly as other OECD countries appear to be suffering from donor fatigue. A further factor may well be that increasing Japanese aid is related to Japan's current desire to gain a "diplomatic foothold" on the continent, and that substantial aid flows may encourage African countries to support Japan's accession to a permanent seat on the UN Security Council.

2.5 Aid Disbursement Problems

An aspect of the aid cycle that has been a major handicap to aid flows is the slow disbursement of committed funds. Slow disbursements have delayed the potential benefits of many aid programmes, while the real value of the committed resources has tended to decline due to inflation and currency depreciation.

There are examples where donors have been reluctant to make fresh commitments because of large undisbursed funds in the country's aid pipeline.

The usual definition of the disbursement rate is the level of disbursements in a given fiscal year as a percentage of the undisbursed balance at the beginning of that fiscal year. Using this definition, the average disbursement rate for World Bank's IDA credit for the three year period 1992–94 was 15 per cent compared to 19 per cent for 1981–91. This was poorer than in Zimbabwe (28 per cent), Zaire (21 per cent) and Ivory Coast (20 per cent) for 1992–94.

Conditions and Aid Disbursement

There tends to be a sense among donors in particular that the imposition of conditions can not have been a major source of delays in disbursements, though perceptions vary widely on this. On the one hand, some donors and government officials believe that the donor community has been quite lenient with Ghana in terms of following conditions, in the sense that even when they had been inserted in documents, donors had not always held the Ghana government strictly to them, mainly on account of the trust and good rapport between them.[1] This appears to have been the case with the multilateral support for the Economic Recovery Programme. Some World Bank officials recognised the fact that it was sometimes absurd to hold back tranche releases simply because "one less State-Owned Enterprise had been divested than had been negotiated". The Bank is recognised to have enforced conditions rigidly only in cases where large parts of yearly programmes appeared to be in danger. The most significant show of force by the bank was with the delayed release of the second tranche of Structural Adjustment Credit III and the associated co-financing of USD 38.7 million in grants and USD 90.4 million in loans in 1991. This should have been released by the beginning of the last quarter of the year. The delay was to express the bank's dissatisfaction with the failure to achieve various macroeconomic targets and benchmarks.

3. HOW IMPORTANT WAS AID TO ECONOMIC REFORMS IN GHANA?

The general impression among both donors and recipient institutions as well as among the general public is that there is no way the reforms could have proceeded without the amount of aid that flowed in. We must point out that while foreign aid was required to offset Ghana's losses due to declining terms of trade, and did actually increase soon after the ERP was launched, the amount of assistance received to support reform was substantially smaller than that of a number of other reforming African nations, notably Malawi, Senegal, and Tanzania.

1. It was suggested by a donor representative that donors and the GoG developed a mutual conspiracy to pretend that aid conditions had been complied with. Since donors needed a winner, they had to keep up the pretence.

3.1 Major Characteristics of the Economic Reforms

The Economic Recovery Programme began with an adjustment phase in 1987 with the following medium-term objectives aimed at laying the foundations for sustained output growth and the attainment of a viable external payments position:

1. sustain economic growth at around 5.0–5.5 per cent per annum;
2. increase the level of investment from about 10 per cent of GDP in 1986 to 23 per cent of 1989 GDP;
3. raise national savings from 7 per cent of GDP to 15 per cent by 1989;
4. improve the management of resources within the public sector.

The design of ERP was meant to increase the capacity of the economy to adjust to both external and internal shocks, and generate sustainable growth and development. Emphasis was placed on a flexible exchange rate policy and the gradual liberalisation of the exchange and trade system in order to improve resource allocation and the external payments position. Within this framework, government was able to steadily raise the producer price of cocoa and other food crops annually and encourage the diversification of exports.[1]

Fiscal policy broadly aimed to significantly raise the levels of government revenue and savings. Government also sought to reduce its expenditures in order to make increased savings possible. It was hoped that, with increasing inflows of net foreign financing, government would be in a position to reverse the earlier trend of extensive reliance on the domestic banking system for financing the deficit. Tax administration as well as the broadening of the tax base were also addressed as part of the reforms.

The liberal monetary and financial sector policies had both stabilisation and resource allocation objectives. While the monetary authorities sought to control money supply in order to control inflation, the restructuring of the whole system was intended to lead to improved mobilisation of domestic resources. Initial emphases in monetary control were on the use of credit ceilings and selective credit controls. Recently, greater reliance has been placed on interest rates and open market operations to affect inflation and domestic resource mobilisation and investment. In the restructuring exercise, greater interest in the privatisation of the banking system has been exhibited, alongside other institutional and sectoral reform measures to complement macroeconomic policy reforms.

In the agricultural sector producer prices of key agricultural export crops were increased, subsidies on agricultural inputs removed, and the distribution of agricultural inputs and produce was privatised. The most significant shift in industrial policy in Ghana during the period of reform was the move from import-substitution and an overly protectionist industrial strategy to an outwardly oriented less protectionist strategy. Indeed, government policies for the manufacturing sector were coterminous with policies for an enhanced role of

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1. See Kapur, I. et al., 1991, for a detailed analysis of the ERP.

the private sector in the economy. They were intended to complement the macroeconomic policies by improving the climate for private sector investment. These policies included the streamlining of the regulations and administrative requirements for private investment. They also included the revision of the investment code and the activities of the Ghana Investments Centre with a view to making them less restrictive for local and foreign investors.

3.2 Ownership of the Economic Recovery Programme

The impression within the ministry of finance today is that the government took full responsibility for the preparation of the Economic Recovery Programme and only received the endorsement of the World Bank and IMF when a finished document was already in place, in spite of the usual consultations as part of the process. A member of the government's economic management team and one of the leading negotiators with the IMF and Bank indicated to us that "to those who claim that adjustment was imposed on us, we can show them the home-grown document that we took to the World Bank". There was obviously no reason why Ghanaians should not be capable of producing the necessary documentation for negotiations since "the chief Ghanaian negotiators were trained in the same universities as their colleagues from the Bretton Woods Institutions". The government negotiator found nothing mysterious about a local "capacity to develop rational economic responses" to changes in the economic situation. This view of local capacity to develop a rational economic response contrasts with the view of John Toye (1991) that suggests a dearth of local technical capacity at the time. Both the Bank and the Fund take the position that initial preparation for reform was undertaken by Ghanaians with relatively little support from them.

Despite this subsequent rationalisation of policy-making, the government of Ghana's stance at the time was far less clear cut. There was much difficulty with the political left, particularly since share of social expenditures were falling, suggesting that adjustment burdens would fall disproportionately on the poor. However, left-wing prescriptions were felt by Rawlings to have little credibility, a conviction reinforced by the failure of socialist countries to respond during the drought of 1983.

While Bank officials suggest today that the government "owned" the overall reform programme, there was no indication from them at the beginning of reform that they regarded such "ownership" as being crucial to programme sustainability. It is now clear that the question of ownership is more complex, and that different degrees of ownership were associated with different programme components. For example, Johnson and Wasty (1990) conclude that "ownership" was far greater in the preparation of the Trade and Import Sector Loans than for the Export Rehabilitation Loan. In the former case, the expression of political will by the top leadership of the nation was described as high, but very low for the latter. It would appear that the Bank's assessments of "ownership" lay particular emphasis on the commitment of the leadership and less on the locus of initiative. Legitimacy was of less concern so long as the government had a way of achieving results. This probably explains why the Bretton Woods institutions did little to encourage the government to consult other institutions, including the universities, the private sector, and trade unions.

In effect, while the legitimacy of the process of reform might be disputed, the sense that the Ghana government was "not being pushed around" by donors prevailed. Whichever way one looks at the question of "ownership", it is obvious that Ghana gained a lot of respect internationally by being able to negotiate seemingly difficult points with which other African governments had previously had to "acquiesce".

Government negotiators indicate they had to walk a tightrope in satisfying donor negotiators as well as some local interest groups. We learned that in dealing with the people of Ghana, the government had to resort to such unusual tactics as referring to devaluation in terms of "bonuses and surcharges", in order to avoid "political suicide". Despite the anxiety of the GoG to be recognised as owners of the reform programme, there are many instances of it using aid conditions to get people to respond to reform measures. The Ghana government indeed often used conditions as a tool for gaining leverage in "negotiations" with local groups, including workers. It was easy to blame the World Bank for any position that government wished to take on a number of issues, knowing very well that the Bank was not going to repudiate the position publicly. An example was the educational sector reform programme, where the ministry of education carried out a massive restructuring of the basic educational system at great speed and little debate, using the timing of World Bank disbursements and conditions as the major reason why extensive debate could not be tolerated.

It is our view that a more open system of debating various reform issues would have led to a more sustainable reform programme. The fact that government seldom consulted university academics and other members of civil society on reform matters explains to a large extent the resentment and ensuring uncertainty, leading to the private sector distancing itself from the investment programme.

3.3 Outcome of Reforms

In the period up to late 1991, the economy's performance was generally perceived to have improved considerably (World Bank, 1994). The growth of real GDP averaged 5 per cent annually between 1983 and 1990, while end-of-year inflation declined from 142 per cent to 36 per cent in the same period. The overall balance of payments also went from a large deficit to a significant accumulation of international reserves. Even though 1990 saw the economy's performance slacken, following trade shocks, this was generally perceived to be temporary and the economy picked up again in 1991. Indeed, real GDP growth was restored to the 5 per cent level in 1991 as the agricultural, mining, construction, and trade sectors performed well. The inflation rate fell to 10 per cent in 1991 from 36 per cent in 1990, and this was mainly attributed to improvements in domestic food supplies and a tightening of monetary policy.

Also in 1983–90, the government's budget (narrowly defined to exclude the externally-financed projects) turned a deficit of -1.3 per cent of GDP into a surplus of 0.1 per cent. In 1991, the balance of payments position improved substantially. The adjustment effort resulted in the recovery of gross savings and investment up to 1990. Gross national investment as a percentage of GDP rose from a low level of 3.7 per cent in 1983 to an estimated 16 per cent in 1990 (averaging 10 per cent) while gross national savings increased from 3 per cent to 11.6 per cent, averaging 7 per cent over the same period. We must caution, however, that these gross growth figures are quite deceptive since they mask the fact that most of the investments were in the public sector. Also, in spite of the improvements in national savings, these remained far lower than the sub-Saharan African average for the period of 22 per cent.

Sectoral performance showed considerable variation, and the performance of both agriculture and manufacturing continue to be erratic. While agricultural growth has averaged only 2–3 per cent per annum in the last decade, cocoa has recovered considerably from its lowest level recorded in the 1983–84 season. Its future remains uncertain, however, given the volatility of the international cocoa price and the aggressive production strategies of other producers.

Manufacturing continues to be the nemesis of the adjustment and growth effort as manufacturing levels continue to be unsatisfactory. Although capacity utilisation has increased from its low level of 18 per cent in 1984, to 40 per cent in 1988, it has started to decline since then, registering 38 per cent in 1989 and 37 per cent in 1990. The rate of output growth has also slowed from 25 per cent recorded in 1985 to only 1.7 per cent in 1989.

Since the beginning of 1992, however, the performance of the economy has been less than satisfactory. It had become apparent by the end of 1991 that, after the initial success in achieving significant GDP and per capita income growth throughout the second half of the 1980s, a trend of low private investment has followed, thereby increasing difficulty in ensuring macroeconomic stability. Economic achievements in subsequent years have contrasted sharply with those of preceding years. While macroeconomic policy targets for 1991 were relatively easily reached, they have become impossible since 1992. The anticipated GDP growth of 5 per cent for 1992 became an actual 1.7 per cent and only reached 3 per cent in 1993. These difficulties have been attributed to both internal and external shocks as well as a number of inconsistencies in policy implementation.[1] The Ghanaian economy currently displays all the traits of an unsta-

1. We have suggested in Aryeetey (1994), that while there were no major policy reversals in Ghana in the reform years, the implementation of some macro-policies ran counter to others; for example, the monetary policy of raising interest rates to mop up excess liquidity in the system at the same time that banks were being urged to expand credit to the private sector in order to encourage investment under the Financial Sector Adjustment Programme. As a consequence, the desired private sector investments were not realised.

ble macroeconomic framework with inflation at over 60 per cent, accelerating depreciation of the cedi, escalating fiscal deficit, and increasingly problematic balance of payments position.

3.4 Poverty and Economic Reform

Despite significant improvements in aggregate economic performance after a decade of economic reform, poverty undoubtedly remains a major problem for the people and government of Ghana While Ghana's experience in the period from 1988 to 1992 showed that a sound macroeconomic base, following reform, does have significant positive effects on poverty reduction, this has been undermined since 1992. The Ghana Living Standards Surveys (GLSS) carried out by Ghana statistical service indicate that about 37 per cent of Ghana's population lived below the poverty line in 1988, a proportion which fell to 31.4 per cent in 1992. Rates of infant and child mortality, and the incidence of disease are still unacceptably high due to poor nutrition, lack of safe water and proper sanitation, and inadequate access to healthcare facilities. Additionally, levels of education remain low, with adult literacy levels estimated at only 53 per cent of the catchment population. The high rate of unemployment and underemployment, partially created by the inadequate investment response to the structural adjustment programme, have also contributed significantly to poverty exacerbation in Ghana.

In focus group interviews carried out by Bortei-Doku (1993), the poor in rural areas suggest that their purchasing power has suffered greatly since 1988. While their access to a number of essential items and services improved after 1984, this situation has worsened since 1988. The rural poor express what many Ghanaians say openly about the outcome of reforms: "Reforms have led to the shops being filled with goods we can hardly afford to buy."

The World Bank study suggests that the rural poor have become the largest gainers from reform, as a result of the terms of trade turning in their favour following reform (Kanbur and Mink, 1994). It is our view, however, that the largest medium-term gainers from reform and associated aid are the urban professional middle class, importers, and exporters. The significant growth of the service sector into the fastest growing sector of the economy lends credence to this suggestion. The urban middle class that has been able to associate itself with the international service industry through local representation, has benefited tremendously from internationally set salaries that are cushioned against domestic inflation. Similarly, exporters have gained considerably from a constantly depreciating currency (in real terms) that has often offered them windfall gains, while importers benefited from rising domestic prices and from consumers who felt insecure about the market's future. In sum, the urban middle class did not simply resent the regime and refuse to do anything, as has been suggested by Callaghy (1990). It adjusted quickly to new economic arrangements, doing what was profitable in the short run, namely providing services to the reform machinery, but not making any long-term investment commitments (Aryeetey, 1994).

3.5 Aid and Economic Reforms

The issues of concern here are: (i) In what way did foreign aid facilitate the undertaking of reforms?; (ii) Did foreign aid have a direct impact on the way macroeconomic variables turned out, including their long-term performance?; (iii) Did it influence institutional capacity-building for managing reform?; and (iv) What influences did it have on the overall sustainability of the reform programme? We address these issues here from the perspective of donors, recipient institutions, and others, drawing our own conclusions in section 6.

i. Facilitation of Reform Programme: There is no doubt that reform would hardly have been possible without foreign aid. At best, reform would have been marginal, of only limited scope. In discussions with both government of Ghana officials and donors, this position is indeed taken by many. We observed a certain consensus on the urgency of aid to ensure that the ERP took off and was maintained, in view of the precarious nature of the initial conditions. In the short-to-medium term, Ghana urgently needed external assistance to bridge the trade gap and pursue the public investment programme.

Mainly through balance of payments support, aid provided the government with the breathing space it required to contain domestic opposition to market-based reforms. The World Bank recognises this position: Leechor (1994) writes that "foreign aid has served largely to facilitate policy change. By strengthening the bargaining position of those in favour of reform, the donor community represents an important constituency in the political process. In the absence of foreign aid, the adjustment programme would have been far more modest" (p.155).

Balance of payments support allowed imports that helped fill the shelves of supermarkets and other traders. The filled shelves provided a psychologically-induced breather for the government because as large numbers of both urban and rural people saw those changes as a "sign of better things to come". Much of the government's ability in the period from 1984 to 1986 to contain opposition to reform from organised labour and some academics arose from its aid-assisted capacity to meet the consumption needs of Ghanaians. In offsetting the declining terms of trade in the early reform years with increasing aid grant, government gained an advantage over its opponents to pursue further reforms.

After l987, aid was further used to ease the pressure on the PNDC government through the three-year Programme of Actions to Mitigate the Social Costs of Adjustment (PAMSCAD) in 1988. The government encouraged UNICEF, which had been leading a campaign for "adjustment with a human face" (later supported by the World Bank), to assist with a number of projects in nutrition, job training, and other basic-needs programmes. The programme initially attracted a total of USD 88.4 million in commitments as other bilateral donors, including the Canadian International Development Agency (CIDA) and Japan

International Cooperation Agency (JICA), got involved. By the end of the first year of implementation, only twenty Community-Initiative Projects had been completed, while another 189 were being started. Various subsequent evaluations of project achievement suggested that while they boosted morale in large numbers of rural communities initially, the high hopes they generated often changed to frustration, because few concrete outputs were ever achieved for those communities (Bortei-Doku, 1992). Government officials associated with PAMSCAD who were interviewed suggested that the limited impact was a consequence of the smallness of the programme budget and the large spread of activities in order to achieve the "silencing of the opponents".

ii. Aid, Growth, and Macroeconomic Stability: As Riddell (1995) points out, it is almost impossible to isolate the direct contribution of aid to economic growth. At the same time, however, it is not simply a question of how much growth was made possible by aid. The role of aid can best be seen in the following way: without reform, growth would have continued to be insignificant in the absence of major positive shocks; and without aid, reform would not have been possible on the scale undertaken.

The main sources of growth have been both private and public consumption as well as public investment (World Bank, 1994). And most of this was possible as a result of foreign aid. "Foreign aid has played a major role. From the outset, it allowed Ghana to import the capital goods and supplies it needed for rehabilitation. Later on, foreign aid supplemented all the meagre export earnings to pay for imports and soften the impact of adverse shifts in the terms of trade" (Leechor, 1994).

As our earlier review of the outcome of ERP indicated progress towards macroeconomic stability was achieved but has not been sustained in the medium term. Inflation has gone up again and the cedi continues to depreciate rapidly. The instability is derived mainly from government expenditure patterns, which have been greatly influenced by aid in-flows (ISSER, 1994). "The primary source of monetary expansion was an imbalance between local expenditures and domestic sources of revenue. Prior to 1990 part of foreign aid was converted into financing for local expenses, contributing to the expansion of reserves and a corresponding increase in the supply of money" (Leechor, 1994:154). The internal sources of instability are probably not unique to Ghana. There are indications that the current instability has been induced by uncontrolled rises in the fiscal deficit. The rises came in two forms: (i) steady yearly growth in public expenditures concurrent with stagnant or decreasing revenues; and (ii) overspending (i.e., beyond budgetary limits) when the government was subjected to internal pressures.

Stephen Younger's (1992) argument on "Dutch disease" in Ghana is that the government's response to the rapid and sizeable flow of aid into Ghana in the 1980s has been to reintroduce the imbalance that the reforms sought to correct. He argues that accepting foreign aid to finance local expenditures forced the money base to increase as dollars are converted into cedis. This, together with the government's tight domestic credit policy to hold down inflation, has resulted in an increase in the size of the government expenditure largely at the expense of private investment.

iii. Aid and Institutional Capacity Building for Managing Reform: Non-Ghanaian arguments about whether the Ghana government "owned" the reform programme or not have usually centred on the smallness of the group that handled preparation of reforms and negotiations with donors (Callaghy, 1990; Martin, 1991). What is generally agreed is that while this group of "reformers" was small and worked diligently to ensure that reform actually took place, it was weakened by the absence of an equally skilled and dedicated team of middle-level and lower-level support operatives (Martin, 1991:242).

The absence of a large team of dedicated support staff was more a reflection of political divisions in the public service than a simple dearth of qualified people. A member of the economic management team suggested that they could not "trust" a large number of public servants in the ministry of finance in 1982. There are indications that the continuing smallness of the team working on reforms suited the Fund and the Bank as they "tried to convince a limited group composed of Rawlings, some members of the PNDC, and a core team of professionals about the efficacy of structural adjustment" (Martin, 1991).

Given the context of narrow participation in national economic management because of the Ghana government's political allegiances and donor convenience, it is not surprising that little effort has been made by the Ghana government to expand and restructure the top echelon of the economic management team over time. While most donors agree that Ghanaian negotiators are better prepared than they used to be during early reform negotiations, this has arisen from the many years of experience of a small select group of people and close aides. When donors showed interest in improving aid management, they focused on improving technical capacity within closed units under the Umbrella Project, while exerting no pressure for reform of the policy process itself.

Thus, while donors and government have invested considerably in building capacity for managing aid, the approach has resulted in the creation of "tiny centres of excellence" within the public sector, directly linked to the small economic management team and to donors, to the exclusion of all others not invited "to work on donor projects". A consequence of this tripod structure was the personalisation of aid management. When Dr. Kwesi Botchwey resigned as minister of finance after thirteen years, many Ghanaians wondered if donors would find any successor acceptable.[1] The personalised nature of economic management for over a decade made it inconceivable for many people that economic management could continue without him.

1. In assessing the qualities of a successor to Dr. Botchwey, a number of newspapers in Ghana stressed the need for him/her to be acceptable to the Bretton Woods institutions. They suggested that donor assistance would suffer if the new minister was found unacceptable. The government-owned newspaper *Daily Graphic* published an endorsement of the new finance minister, Mr. Kwame Peprah by officials of the Bank and the Fund.

iv. Sustainability of Overall Growth: We have argued that early growth was made possible by large public investments during the stabilisation era, with the expectation that private investments would take off shortly afterwards. (Aryeetey, 1994) With the rather slow growth of private investment, continued growth is having to depend on public investment and other expenditures to an undesirable and unacceptable extent. Our main conclusion in this section is that while aid made it possible for government to pursue reform and did have considerable impact on the government budget, thus helping to achieve short-term growth, it has not been possible to sustain growth over a longer period in the absence of self-propelling forces from the domestic economy, particularly private investments.

4. INSTITUTIONAL FRAMEWORK FOR DEVELOPMENT AND AID MANAGEMENT

The administrative context for programme aid can best be understood by placing it within the broader historical context of development planning and management. The development of recipient-donor relations reveals similarities as well as differences over the period from Nkrumah through to the ERP. We first discuss the established institutional framework for managing development and aid and then appraise donors' and recipient government officials' general perceptions in about the functioning of the machinery and the aid cycle in general.

4.1 Development Planning Process in Ghana

The main goals of development planning since the 1960s have been to achieve steady economic growth and a proper *regional balance* in development in order to ensure improvements in living standards for as many people as possible, i.e., in both urban and rural regions.

Centralised Development Planning in the 1960s

For the production of Ghana's best known development plan, "The Seven-Year Development Plan 1963/6–69/70", a state planning commission, responsible for policy formulation as well as the technicalities of plan preparation, was set up by the first post-independence government. The commission was responsible only to the president and was even more powerful than the cabinet in decision-making. Issues of aid and its management were the responsibility of the commission. It produced a plan, welcomed by domestic and foreign experts, and although the process of formulation was centralised, it probably involved wider participation than did the preparation of the ERP in 1983–84. It is interesting that while technical assistance was sought from outside (mainly socialist countries and eminent economists such as Kaldor), the desire to ensure it was genuinely "home-grown" led to careful coordination of external assistance through the office of the president. However, the plan stimulated few aid inflows, suggesting an important lesson, namely that a "home-grown" plan, no matter how carefully prepared, does not necessarily lead to a set of sustainable activities that are appealing to donors. Western donors boycotted a plan that was fully owned by the home country on account of ideological differences. Clearly, geopolitical and ideological interests in Africa were much stronger in the 1960s and dictated donor preferences. While still present in donor choices, these interests play out more subtly today, a fact which allowed the radical government of Jerry Rawlings to secure substantial aid to pursue reform.

Decentralised Planning in Ghana

The constitution of Ghana's current fourth republic represents a move towards decentralised planning. While the preparation of the national development plan rests with the National Development Planning Commission (NDPC), the responsibility for sub-national development planning is vested in district assemblies. A major achievement of current efforts to decentralise planning is the high level of awareness it has helped create among local personnel on the importance of and essential requirements of proper planning. Various training workshops, awareness programmes, and seminars for district administration staff and other personnel have helped achieve this appreciable degree of awareness (UNDP, 1989). In some areas, such awareness is exhibited in constructive debates over proposed projects in district assemblies. Debates often lead to critical examination of technical proposals at the sub-committee level and help to elucidate out various important facets of issues.

In addition to knowing what decentralised planning is, local communities are increasingly aware of the need for "self-reliance" in planning the development of their areas. Some district assemblies are currently busy preparing various schemes and seeking financial assistance from sources other than central government for these programmes.

However, even though NDPC is responsible for coordinating development plans under the new constitution, it has very little to do with the management and coordination of aid. This is mainly because the function of managing international economic relations is still located within the ministry of finance, partly as a result of the powerful position of Dr. Botchwey (finance minister until 1995). The need for development planning coordination and aid coordination by related institutions appears not to be met in the current practices. Also, although decentralisation in principle improves the scope for beneficiary participation in planning and aid management, donors appear to have difficulty dealing with this decentralised system which they themselves supported, and sometimes call for a central coordinating point for project aid.

4.2 GoG Current Development Objectives

The National Coordinated Programme for Social and Economic Development (Ghana Vision 2020) was prepared by the National Development Planning

Commission as a constitutional requirement, and represents the most authoritative expression of GoG development objectives. It is generally seen as the government document to guide development across all the major sectors in the nation's effort to achieve substantial and sustainable development. This document was prepared by the government of Ghana without assistance from external sources and is, therefore, an indication of national commitment. Donors are expected to be guided by this document in reaching cooperation agreements with GoG.

The objectives of Ghana Vision 2020 have been broken down into two main periods, i.e., the medium term (1996–2000) and the long term (1996–2020). In the medium term, the development objective is to consolidate the gains achieved under the ERP and SAP and strengthen the foundations of accelerated growth. The aim is to "improve the social and economic status of all individuals and to eliminate extremes of deprivation by encouraging the creativity, enterprise, and productivity of all citizens". The idea is to break into the into the "middle-income country" bracket as defined in the World Development Report. Over the longer term, the vision is to transform the structure of the economy to correspond with that of a "middle-income" country, taking a cue from the recent experiences of such countries as Korea and Singapore.

4.3 Aid Cycle

In principle, the aid cycle begins with the government setting its development priorities and then negotiating common assistance frameworks with donors. However, the reality is often quite different. Firstly, very few public agencies have long-term development objectives which are derived from a set of national development objectives. This is in spite of the fact that GoG has provided an indication of its long-term goals recently, though Vision 2020. Most public institutions have development priorities that are uncoordinated with any spelt-out national objectives. Where their sectoral objectives are stated, the financial requirements are often not discussed in advance with the finance ministry. Only the requirements for specific potential projects come to the ministry when cabinet has approved them. By the time the ministry of finance requests International Economic Relations Division (IERD) to begin negotiations with donors for possible assistance, a lot of time has elapsed since the project was initially conceived. The IERD, which is intended to be an intermediary between various public agencies and donors, is hindered by various factors, including inadequacy of information from sectoral agencies and internal constraints (see below). There are also instances where donors are ready to be project initiators, thereby breaking the cycle. As a consequence, the project cycle takes many different forms, depending on how strong particular sectoral Project Management Units (PMUs) are and the relations they have managed to develop with donors. We discuss these relations below.

4.4 Aid Management in Ghana

The International Economic Relations Division of the ministry of finance is the main agency of the government of Ghana for negotiating, coordinating, and monitoring ODA resource flows. It is expected by government to be actively involved at every stage of the aid project cycle. The IERD is made up of the Aid and Debt Management Unit (ADMU), which is an amalgamation of the erstwhile Aid Management Unit and Debt Management Unit; the National Technical Cooperation (NaTCAP)[1] Secretariat; and the Bilateral Aid and Multilateral Aid desks of the ministry. Other units within the ministry involved with aspects of aid management include the Investment Project Analysis Division (IPAD), which provides important inputs and assessments for the Public Investment Programme (PIP). Outside the ministry of finance, the Bank of Ghana (BoG) and the Controller and Accountant General's Department (CAG) play important monitoring roles. At the sectoral level, the various PMUs in the implementing agencies play some role in coordinating and monitoring aid to their institutions. IERD relies on no more than ten professionals to deal with all aid matters.

Some Perceptions on IERD Central Coordination of Projects

Both donors and recipient institutions tend to be of varying mind about the advisability of a central aid coordinating point. While most donors have pledged through cooperation frameworks to coordinate all projects through IERD, a number of local bilateral donor staff do not see much merit in that, in view of IERD's difficulties, which prolong negotiations unduly. As a consequence, the disbursement of committed aid is also seen to be delayed In general, while IERD has been "accepted" by all donors as "the office to deal with", this does not happen in practice at all times. Many bilateral donors deal directly with the PMUs in negotiating aid projects and were critical of the preparedness of IERD, including the NaTCAP Secretariat (described as not having received the necessary authority and responsibility to carry out its functions), to coordinate aid negotiations and management. IERD itself is described by both donors and recipients as being "too thin" and requiring strengthening. Its professional staff strength is regarded as too small, while too few of these staff are regarded as competent. As a consequence, more than 50 per cent of bilateral projects submitted to IERD have already been agreed between donor and recipient institutions. Donors argue that delays from IERD are a major impediment to disbursements.

One major exception we observed among the bilateral donors was the Japanese. For the Japanese, the donor-recipient relationship was carefully controlled to the extent that dialogue was exclusively with the ministry of finance, even if the request for assistance was initiated by a line ministry. There is limited contact with other ministries. This was justified on the ground that it avoided con-

1. The NaTCAP Secretariat deals with monitoring and managing TC flows.

fusion within government and prevented conflicts within or between ministries.

A number of multilateral agencies also tended to hold that a strengthened IERD would be the most appropriate way of managing aid resources, in view of the budgetary considerations that aid implies. It would appear there is obviously a dash between management of technical aspects of projects and their budgetary implications. It is a question of whether these need to be coordinated with different institutions.

Recipient institutions were often critical of the role IERD plays as a central coordinating point. Most ministries have their own PMUs which are expected to liaise with IERD. In most of these PMUs, the thinking is that since they were best suited to negotiating technical details of proposals and projects, their role in negotiations with donors should not be secondary to that of IERD. They suggest that aid proposals could be much more quickly negotiated with donors if IERD were only informed about proposals and stayed out of technical negotiations until later, when an agreement is ready to be prepared and signed. It is suggested that since IERD lacked the requisite technical skills for discussing technical proposals with donor staff and consultants, the negotiations would proceed faster if they were left to the PMUs, with IERD coming in only later to discuss budgetary considerations.

The ministry of finance obviously rejects any suggestion of IERD becoming part of the donor-recipient negotiation only later. Its objection is based on the fact that it is better able to assess loan conditions proposed by donors, by taking a broader view of national objectives and the implications of conditions for such objectives. It suggests that having early knowledge of budgetary implications of aid inflows must be the major concern of government in all aid negotiations. In conceding that it might lack technical knowledge for some projects, it suggests that all it needs to correct the deficiency is sound advice from the relevant sectoral ministry through its PMU.

The ministry of finance does, indeed, have budgetary problems with projects that are initiated by arrangement between donors and specific institutions. It writes that "in a number of cases, funding for projects have been negotiated at the sector level without due regard for the availability of budgetary support. This, it is to be noted, results from Ministry of Finance's treatment of all donor-funded projects as first priority in the development budget, suggesting that at any stage of budget implementation, Ministry of Finance will be willing to accommodate requests for counterpart funds. This practice, when allowed, leads to the crowding out of wholly funded GoG projects" (Ministry of Finance, 1994). Thus, high priority Ghanaian-designed projects may be delayed or abandoned in order that donor-initiated projects can be funded.

It appears that the crucial issue is not really one of whether a central coordinating point for negotiating aid was necessary. What is important is for the whole recipient apparatus (IERD and PMUs) to work closely together, supporting each other with the relevant skills and other resources. While we share the view of the necessity for a central coordinating point for reasons related to long-term budgetary needs and also for purposes of monitoring and evaluation, it is important that this coordinating point does not become a constraint on all negotiations because of its own inadequacies. It is also not obvious why the central coordinating point should not the Planning Commission.

4.5 Recipient Institutions/lERD Perceptions of Disbursement Problems

Government officials in many institutions (ministries, departments, and agencies) handling donor projects mentioned a number of factors that delay disbursement. These include the inadequacy of local resources (counterpart, funds), sometimes due to over-ambitious revenue projections by ministry of finance or the underestimation of local recurrent costs. IERD officials also argue that a failure to pay sufficient attention to donor conditions in order to secure immediate aid, results in time lost when the need arises to renegotiate those conditions. The multiplicity of donor procedures is also cited as a handicap, requiring the preparation of additional reports and compliance with meeting differing accounting procedures. These conspire to cause delays in disbursements. Logistical reasons sometimes cause delay, particularly where infrastructure is concerned. A further factor may be delays by donors in reimbursing expenditures, while the recipient authorities attempt to provide supporting documents in a format prescribed by donors. Donor environmental conditions have more recently caused delays. Finally, procurement and tender procedures may result in delay due to their complexity, or a they lack of expertise in preparing evaluation reports within the implementing agencies.

Problems Associated with Counterpart Funding

Even though poor public data sources do not permit accurate examination of the extent to which provision of counterpart funds for various projects directly impinges on the budget, various public discussions suggest that government is concerned about the way its budget has been affected by such requirements. In 1993, counterpart funds were estimated by the ministry of finance (1994) to be ¢26,161 million or 0.69 per cent of GDP, at a time when total capital expenditure was only 3.59 per cent of GDP. Donors often cited, the inability of government to raise the required local funding for many projects on time as a major impediment to successful project implementation. This suggest that the problem of counterpart funds is a big one for the budget. The extent to which such funds affect the budget varies with project size and period of implementation. Thus, for example, the large Northern Region Rural Integrated Development Programme sponsored by CIDA through a financial contribution of Canadian $30.9 million required that the Ghana government make available ¢292 million for running one institution—an outlay that exceeded all other recurrent outlays for the rest of the public sector in that region for the period. Needless to say, more than 85 per cent of that went into emoluments for local staff and the maintenance of the large fleet of vehicles the project made available.

4.6 Sectoral Coordination of Projects

Despite difficulties that IERD has with PMUs and some donors, we learned about some significant donor-recipient institutional coordination, even though not all donors are supportive of national frameworks for particular sectors. Donors in the education sector hold a monthly meeting with the ministry of education, initiated by the latter's EMU. There are similar meetings in the health sector. A number of donors indicated that these meetings have improved the prospects for good donor-recipient coordination, and for more than lip service to national strategic plans. There is apparently greater consensus among donors about a common agenda for those sectors, and thus increased commitment to work together. Agreement exists particularly on what donors call "systemic issues"—such as the need for improved financial management, planning mechanisms, management of transport aspects, etc. Some donors estimate that over 80 per cent of projects they have with those two sector ministries are satisfactorily implemented as a result of effective coordination.

Donors do not find similar sectoral coordination in other ministries, thus making it difficult to develop common frameworks for those sectors beyond the broad national objectives provided by GoG. They attribute this to the absence of committed and competent persons in the PMUs of many of those ministries.

4.7 Donor Coordination of Projects

Why should there be donor coordination of projects if there is a central coordinating point or if national coordination exists? Many people, including donors and recipient representatives, believe that donor coordination is essential to complement national coordination in order to use existing capacities more rationally. Even though the recipient is ultimately responsible for the management of aid resources, it is believed that there are a number of actions that donors can take to ensure better coordination and use of aid. Indeed there is the perception among both donor and recipient institutions that donors can do much more to facilitate coordination of projects beyond what is agreed at Consultative Group meetings. While the agendas of CG meetings cover such vital issues as development strategy and aid utilisation and the mobilisation of resources from different donors, much more coordination is required for project initiation and design in-country.

Whatever coordination exists among donors in Ghana today is generally regarded as being much less formal than is required, and it is often left to the discretion of individual donor staff. For example, major donors have regular monthly lunches, hosted in rotation by their representatives. While the majority of donors participate in these lunch meetings in order to "find out what is going on", it is obvious that quite a number of them did not regard this as the best forum for active donor coordination.

Recipient institutions tend to emphasise that donors have not been able to coordinate their activities, in view of pressures they are subjected to from their own mandates. A number of donors, both bilateral and multilateral, are influenced by their own organisations' priorities or commercial interests. For example, UNICEF is identified as tending to pursue its own agenda as set out at the Global Summit. Aid from the African Development Bank, the Japanese, and the French governments is also perceived as being especially subject to commercial pressures. Such pressures are known to lead to questionable tendering procedures, resulting in high costs and large high technology facilities which GoG cannot afford to staff. In the health sector particularly, such responses have been observed to undermine support to primary healthcare, etc. The UK, of course, is not immune to commercial pressures in dispensing aid. The Overseas Development Administration (ODA) is known to have had occasional difficulties with the department of trade and industry as well as the Foreign Office over specific projects that ODA found unacceptable within the context of broad and agreed national development strategies. Also, for reasons of self-interest, not all donors are supportive of the efforts of the "donor consortium" to support a proposed ministry of health national strategy. Within the UN system inGhana, the lack of coherence in the financial/planning cycles of different UN agencies hampers the coordination of their projects. Since this cannot be solved at the country level, UNDP must in the meantime be flexible in implementing projects alongside those of other UN agencies.

Donors suggest that coordination can take place in the areas of activity specialisation or geographical specialisation. Each donor agency will be encouraged to assist GoG in areas where they have comparative advantage, instead of donors trying to do the same things. An example of how this can be done was provided intervention in the health sector. Even though ODA has indicated its willingness to specialise in the health sector, where it believes it has considerable comparative advantage, it realises it cannot do everything in that sector. Hence, when it was approached to look at national health insurance, it was keen to ask others if they had greater expertise. The result was that WHO provided a consultant while ODA funded a local consultant to work with him. ODA found this to be a suitable arrangement that yielded very positive results.

Donors can also coordinate the timing of interventions, as well as pursue the more mundane activities of sending out missions in a coordinated manner. We learned from coordinators that they were often overwhelmed by the separate demands of various donor representatives with respect to meetings, missions, and project visits. They believed that if donors could plan their interventions jointly, and coordinate the assistance being offered to their institutions, missions and other project activities could be undertaken together through joint meetings, for example. Again in the health sector, within the context of strengthening coordination, ODA has expressed its awareness of the need to reduce the administrative burden on the ministry of health by agreeing with the World Bank to jointly plan projects, including missions. It is hoped that other donors will be brought on board as soon as possible. The ministry of health indicated that it was very keen on this attempt to rationalise donor inputs to the sector.

Even though geographical specialisation was mentioned by a number of donors, this was an idea not particularly acceptable to many recipient institution representatives. While they did not see any obvious advantages to aid effectiveness through geographical specialisation, they always saw the political dangers of particular regions being coupled with specific donor agencies. Many people were worried about the possibility of the donor agencies becoming "too powerful" within regions, on account of the resources that they would control. There was also the danger that once a region was associated with a particular donor, hardly any other resources would be attracted to the area from other sources. Indeed, for a long time the northern region was generally perceived to be a "CIDA-Region", which many people believe affected the flow of resources to the region.

5. OWNERSHIP, GOOD GOVERNANCE, AND PARTICIPATION IN PROJECT DESIGN AND IMPLEMENTATION

As indicated in the introductory section, recent literature on the development effectiveness of aid highlights a number of requirements for such effectiveness. These include ownership of projects and programmes by the recipient government (Cassen, 1986); good governance, which reflects efficient public sector management; and a high level of participation by relevant stakeholders. Project ownership requires that Ghanaian institutions are seen to have conceived those projects based on properly conducted problem-identification and credible goal-setting exercises. Ownership facilitates internalisation of processes and therefore enhances sustainability. For good governance, it is essential that a sound legal framework exists, and there is accountability and transparency in the management of projects. Good governance is expected to lead to greater consensus-building and the development of greater ownership of various development initiatives. Presumably, when good governance is absent, systems get corrupted in such a way as to reduce aid effectiveness. The significance of participation is derived from its being a precondition for poverty-reduction and for development. If we assume that poverty-reduction and development are processes that must be participatory, then by default the process of planning and distributing aid must be participatory in order to yield the required results (Riddell, 1993). While current evidence on the link between participation and project sustainability is by no means conclusive, there is compelling logic that participation can make significant contribution to having good projects implemented, operated, and maintained. This rests on the expectation that participation in planning aid projects will encourage participation in their implementation, which should improve the probability good results.

Based on the above assumptions, general perceptions of the significance of ownership, good governance, and participation in aid design and implementation are discussed below. In addition, conclusions emerging from four case studies will be integrated into the general conclusions in section 6. The case studies were the ODA-assisted Civil Service Reform Programme (CSRP); the

CIDA-assisted Northern Region Rural Integrated Programme (NORRIP); the UNDP-sponsored Local Level Planning Project (GHA/89/003); and World Vision International-funded Ghana Rural Water Project. The full findings are included in a longer version of this report available from the University of Ghana (ISSER) or from the Overseas Development Institute (London).

5.1 Broad Perceptions about Ownership, Good Governance, Particiption, and Project Ownership

Both donors and recipients share the view that without ownership, commitment to projects will be lacking and aid resources are likely to be used ineffectively. They think it important that whatever resources are provided by the donor are viewed as Ghanaian resources. Many donors believe that the key to effective projects lies in close collaboration with and ownership by the various ministries. Thus, in the health sector arrangements with the ministry of health (which most donors agree has a good Projects Management Unit and can initiate good projects), we learned that of six components in which the Overseas Development Administration (ODA) was involved, five were very successful. Many donors indicated that donor-led projects are bound to fail and be unsustainable. An illustration of donors' growing interest in "recipient ownership" is that ODA and a number of other donors are encouraging the ministry of health in its attempts to develop a medium-term strategic plan for the health sector for the next five years. They believe that such a plan can help assess what the government can achieve with its own resources and what requires external resources. The theory is that once the plan is developed, the ministry will reject any offers of support which do not fall under the national plan.

It is interesting to note the ways in which many donor representatives themselves conceive of "ownership". Many do not seem to attach as much attention to the question of who initiated and/or participated in the design of projects. So long as projects are in line with GoG objectives and priorities, and officials of the recipient institutions show commitment to their implementation at the top, they are presumed to "own" it Many donors indicated that they tried to ensure that projects were within the set priorities of the Ghana government as agreed in cooperation documents, and as reflected in government policies for particular sectors. This, applied to both multilateral and bilateral donors. The European Union was emphatic that it will not consider proposals from institutions that did not fall within the agreed National Indicative Programme and which were not presented to it by the ministry of finance. These positions were similar to those of the World Bank, UNDP, ODA, and also the Japanese government. But obviously, the fact that a project proposed by a donor consultant has been accepted by a ministry cannot substitute for ownership.

Since the agreed frameworks for cooperation are often broad enough to accommodate a large number of development objectives, it is unlikely that many proposals will fall outside the scope of these agreements. Currently, the EU has agreed to assist the Ghana government in the areas of health, education, private sector development, governance, human rights, and poverty alleviation. The

UNDP is assisting Ghana under the fifth Country Programme in the priority areas of capacity building, private sector development and poverty reduction. Other bilateral donors, including CIDA and ODA, are also focusing on health, education, private sector development and poverty reduction in their programmes. World Bank and Japanese assistance go further in attaching importance to infrastructure development and the energy sector. Considering that most sectoral projects designed for implementation in rural districts are likely to have a poverty-reduction slant, there is a high likelihood of donor and recipient objectives being congruent. Differences are more likely to arise in specific designs, and that is when ownership is important to ensure sustainability.

Given that broad objectives and priorities of both donors and recipient institutions often coincide, the issue of who "owns" projects or where projects originate should be determined by (a) whose idea it was to prepare a project proposal (b) who participated in the process of designing the project, and (c) at what stage did the national coordinating body come into the process of negotiating with donors?

For the ministry of finance today, there are too many project proposals that are prepared with significant donor involvement and submitted to the ministry long after the donor and beneficiary institution have made contact. The ministry reckons that about 35 per cent of proposals for bilateral projects are prepared with significant donor input, while project design is either completely in the hands of the donor or partially controlled by the donor. For the ministry, there often is no justification for direct donor involvement in preparing proposals and preliminary designs.

While many donors and recipient institutions have indicated that "the normal process for initiating projects begins with requests from Government of Ghana institutions", it is acknowledged by both donors and recipients that a number of projects have arisen from "informal suggestions" from consultants on mission which have been "picked up" by various departments and ministries, without much regard for institutional priorities. There have been a number of occasions where donors, believing that ministries and departments are "too slow" in making proposals, have tried to jump-start the process. In a number of cases, this procedure has been accepted by recipient institutions, recognising their own deficiencies. Some donors expressed the view that Ghana government officials are not always eager to make large personal investments in initiating projects if projects are conceived of and known only by the names of donor agencies.

Even though recipient institutions generally accept a lead role for donors without much question, there have been instances of recipient assertiveness. On one occasion, a USAID mission is reported to have arrived at the door of the education ministry with a proposal presented "at the very last minute in the manner of a *fait accompli*". No partnership had been built into the process of developing it to ensure that it was consistent with GoG priorities. USAID officials, who believe that all aid must, by definition, be in the interest of the Government and people of Ghana were taken aback when told that the ministry was not interested in aid packages which it had not itself requested nor budgeted for.

The NGOs' perspective of project ownership differs from that of bilateral donors. In discussions with the largest NGO in Ghana, World Vision Ghana, we learned that the objective is to make local communities (and not Ghana government institutions) own projects. Projects must be initiated by the communities in order to engender ownership, and they have seen more of this happening since 1980.

There tends, however, to be a consensus among donors that capacity within a few key ministries to initiate projects has increased considerably in the last decade as a result of earlier capacity-building initiatives. It is yet to take root in others.

Good Governance for Projects

Do donors believe Ghanaians manage programmes and projects well? Is the legal framework supportive of project development? Is the governmental system transparent and does it ensure accountability? There is considerable consensus among both donors and ministry of finance officials that project aid-management capacity has improved considerably since 1983, even if there is still room for improvement in certain ministries. While the legal framework itself is undergoing strains as a result of change in the political system, this has not been cited as a major constraint to aid effectiveness, except in isolated cases. By that the officials and donors mean institutions that they deal with are empowered by law to pursue development initiatives and deal directly with donors on various matters. These include the district assemblies and NGOs. On transparency, there is less consensus. While they are never sure which projects IERD will support, they believe that individual project management is often open.

One source of donor dissatisfaction with project aid management in Ghana is with the time it took to obtain both administrative and political decisions. While donors in the health and education sectors did not find too much of this, the general view among both multilateral and bilateral donors was that various government ministries lacked capacity to decide on a timely basis what needed to be done about projects in various stages of implementation. This view was shared by NGOs. They tended to blame this on the over-centralisation of most public institutions in Ghana. They saw relatively minor decisions being referred to ministers or very senior directors for action.

Some donors believe that in order to get things done a relationship going beyond the purely professional is important with one or two key persons, a practice that can cause serious administrative problems for a number of ministries. Indeed, new arrivals on the donor circuit tend to be briefed by other donors as to who they should contact in various ministries. At the ministry of food and agriculture, for example, the role of the chief director, as the prime mover was generally acknowledged. There were no obvious candidates to play complementary roles. The situation was similar at the ministry of health.

We found donors torn between helping to develop an institutional framework that allowed systems to work instead of concentration on selected individuals, as was the case in many sectors. Throughout our discussions with representatives of recipient institutions, the following points were constantly made: allowing institutions to work as against individuals means greater participation by technocrats within sector ministries, which improves their exposure to current debates and trends. That exposure enhances their general competence in the medium term. Keeping many incompetent but highly trained persons out of aid project development and management has the following effects:

a) they remain incompetent and inexperienced for a long time, and therefore are a waste of capital and human resources. Since management of aid was left to the most competent persons in the institutions, their being overtaxed by lengthy and regular discussions with donors on a day-to-day basis left the institutions fragile on other fronts;

b) it reduces the number of people who can be used for negotiate and manage aid projects to a small cadre that could easily be overstretched in dealing with many donors. A number of recipient representatives indicated that managing aid resources in their various institutions took too much of their time, allowing less time for other important activities. Some of the problems include the frequent simultaneous arrival of donor staff from different agencies, all wanting to interact with the same persons;

c) it reduces the recipient institutions' own transparency and sometimes leads to allegations of corruption if projects go wrong;

d) even though a competent individual can make things happen and so, speed up the aid cycle, the system collapses when he/she is unavailable, as often happens.

When donors have to rely on a small group of people in ministries for managing projects, they often justify it with the point that there are relatively few competent or adequately trained individuals in the ministries. They suggest that the scarcity of expertise is mainly because of poaching of competent staff by international organisations. It is ironic that over-concentration of decision-making in key ministries is attributed to incompetence at middle and lower levels of management, given that through technical assistance programmes the academic qualifications of most senior and middle-level personnel have been raised. Currently, more than 50 per cent of such personnel in the ministry of finance, for example, have at least a masters degree, up from about 5 per cent fifteen years ago. In addition, a greater part of the technical assistance received from various donors between 1986 and 1990 was to assist in the decentralisation of public sector machinery. Obviously, not much has been achieved in this regard.

Interestingly, both donors and recipients show awareness of the dangers of fostering too narrow or cosy a relationship. To reduce the likelihood of this development, the ODA health sector programme, comprising six different parts, involves six different managers within the ministry, and this relationship also extends to regional officials. The ministry has apparently made a real effort to decentralise power. Donors indicate that because they have less difficulty with aid management at the health, education, and transport ministries, disbursements to these sectors are faster than elsewhere, a fact that improves the effectiveness of aid to them.

Participation in Aid Projects

Even though most donors accept the rationale greater participation in project activity by project beneficiaries, there is little evidence of either donors or recipient institutions developing formal and effective channels for involving local communities in the design and implementation of projects. The most obvious examples of how lack of consultation with beneficiaries affects effectiveness of projects is in those projects designed for improvement of communities under local government institutions. Until recently, representatives of those communities could not directly engage in discussions or negotiations with donors—a situation which they suggest led to a number of inappropriate projects being negotiated on their behalf by central government agencies and which they could not sustain with their own resources. These include the large number of urban upgrading and development programmes. Our case studies show that NGOs are more likely to take participation seriously, particularly in the development of small community-based projects. Such participation might explain the different outcomes.

Local government bodies have not been able to generate enough participation in view of the characteristic weaknesses of the local government system which have forced them to play a subsidiary role in relation to sector ministries that negotiate on their behalf with donors. The two major problems of the local government system with respect to project planning and coordination have been a poor planning capacity and a perpetual lack of funds to complement aid resources. Thus, despite the creation of District Planning Coordinating Units for each district assembly, they are in most cases not functional. This absence is attributed to the dearth of adequately qualified and skilled planning personnel. Indeed, only a handful of assemblies have any budget and planning officers.

On financing, central government has indicated that it is the responsibility of district assemblies to mobilise a large part of the essential resources for achieving their development objectives and also establish the necessary institutions at the local level. While the assemblies agree to this in principle, they complain that available resources cannot be accessed without substantial central government support. They suggest, for example, that the sources from which they are expected to generate tax revenue are not likely to yield substantial revenues. These include such items as entertainment duty, casino revenue, betting tax, gambling tax, and income tax (registration of trade, business, profession, or vocation). Others include such fees as market dues and graveyard receipts, licenses such as those imposed on beer and wine sellers and hawkers, and such miscellaneous sources as court fees/fines, hearse-hiring charges, land revenue, etc. It is estimated that these will yield only two per cent of the total expenditures of most assemblies.

In the absence of adequate financial and human resources, local government bodies have seldom initiated projects, but have only sought to manage project aid in collaboration with different sector ministries. Considering that those ministries are not obliged to locate projects in particular districts, their role in project initiation is often used to weaken the bargaining position of district assemblies, which have to lobby sector ministries for those projects. In these situations, beneficiary participation simply involves project consultants asking select beneficiaries a number of questions from a questionnaire. The district assemblies are too weak institutionally to guarantee representatives of the people opportunities to discuss details of proposed projects, for fear of losing the projects if they objected to any aspect of them.

It is likely that this trend will continue until district assemblies are formally brought into the aid cycle much earlier and as equal partners with sector ministries. With the recent political reforms, local and municipal governments are now empowered to negotiate with various donors and some are talking to ODA, GTZ, World Bank, etc., about community development projects. Clearly, the decentralisation programme has the potential, to increase aid effectiveness. because by empowering local bodies it increases ownership, participation, and thus commitment and sustainability. The failure of programmes initiated on behalf of recipients has bred considerable apathy and a lack of capacity at the local government level.

6. SUMMARY AND CONCLUSIONS: THE EFFECTIVENESS OF AID TO GHANA

In broad economic terms, the effect of the transfer of aid from a donor should be such that the cost to the donor in foregone output should be more than offset by the increased output or welfare made possible in the recipient country. Unfortunately, measuring the relative costs and benefits of aid is beyond the scope of this paper. But, while we cannot isolate the effect of aggregate aid on growth that resulted from the structural adjustment programme in view of the intricate relationships between aid and other factors influencing growth, we earlier showed a high correlation between aid flows and short-term growth in Ghana We would suggest in this section that aid definitely was useful for the reform process but that it has not resulted in sustainable growth and long-term development. Many more people today take the view that without those substantial aid inflows, the economic reforms of the past decade could not have been pursued (Jeffries, 1991). The results have been considerable public investment in infrastructure and limited improvements in production and policy-making capacity. IERD officials suggest that the adjustment programme has promoted improved organisational and managerial capacity in government. Emerging new institutions are generally perceived to have made the economy more efficient. Officials at various PMUs point to varied degrees of progress after reforms in several sectors, including education, banking and finance, trade, and the privatisation of state enterprises.

While many donors tend to view programme aid as having had a positive impact on overall growth, there is a growing view in their ranks that individual project aid has been much more effective in having a perceptible impact on people's standard of living. For such project aid, many donors indicate that project objectives are fully attained in 60 per cent of the cases, while the remainder achieve either partial success or none. Some multilateral donors expressed the view that aid has been more successful in infrastructure development than in softer sectors. The leading aid providers, the Japanese, indicated that 75 per cent of their projects (mainly in infrastructure) have been successful. They assume that their aid is effective as long as it helps to meet some of the major national infrastructural development goals.

We discuss the effectiveness of aid to Ghana in the context of achievement of broad national goals as expressed by government; in terms of capacity building, since it is the major focus of most of technical assistance and other ODA; and finally in terms of the sustainability of programme and project aid. It is our belief that Ghana's recent experience with aid offers significant lessons about what aid can and cannot do. The most important conclusion we draw from our analysis of aid in support of the Economic Reform Programme in Ghana is that while aid can contribute significantly to reverse a trend of rapid economic decline, it cannot substitute for the large amounts of public and private investments required for long-term growth as well as for consistently sound management of such investments and the general economy. In effect, aid is likely to have short term growth characteristics only if it is not designed to support a long-term development programme, because the objective simply becomes one of cushioning the economy against external shocks. Ghana's reform programme was essentially a short-to-medium term one.

6.1 Impact of Aid on Broad National Goal Attainment

The impact of aid on the attainment of broad national goal is best evaluated in the context of macroeconomic and sectoral policy goals (Lele, 1992). In the case of Ghana, these are as outlined for the ERP earlier discussed. That discussion showed a narrow set of medium-term objectives, which were partially achieved, particularly with reference to the five per cent growth rate. An increasing growth rate was assumed to take care of poverty and the general standard of living.

Aid and Poverty Reduction: As indicated earlier, data from the Ghana Living Standards Surveys between 1987 and 1992 suggest that the incidence of poverty fell between those years. This was attributed by the World Bank (1995) to macroeconomic and sectoral policy reforms that facilitated rural agricultural production by shifting the terms of trade in favour of rural dwellers. Poverty fell-much faster in rural areas than in urban areas. The bank also acknowledged that part of the improvement in rural areas resulted from a number of aid projects that improved the income-earning capacity and, therefore, expenditure in rural areas. The case study of World Vision Ghana activities at Atarekan suggests that this is possible. But the World Bank (1995) has also indicated since then that with the poor economic performance in Ghana there has been a deterioration in living standards since 1992.

In essence, aid facilitated short-term reduction of poverty in as much as it contributed to economic growth Both donors and a number of government officials expressed the view during interviews that since aid has been an essential component of public investment and has supported fundamental economic activities, it has helped to attain the broad goals of halting decline in the national economy, and has been essential to alleviating poverty. But poverty reduction needs to be permanent to be meaningful. This reinforces our position that aid can lead to permanent poverty reduction only if it makes possible long-term growth This can only happen if aid complements domestic and foreign private resources within the framework of a long-term national development effort.

The lesson from direct project interventions intended to meet the needs of the poor, as revealed in two case studies (NORRIP and WVG), is that positive impacts of single projects can be achieved, but it is difficult to place these in the context of a national assessment, as Riddell (1995) points out. While many individual poverty projects yield appreciable benefits to a number of communities, the reality of the current situation is that the incidence of poverty is still very high in the whole nation, a trend that will persist until GoG can establish an acceptable programme for poverty-reduction, taking into consideration long-term growth and redistributional issues.

Impact of Donor-Recipient Relationship on Poverty-Reduction Projects: Most donor agencies in Ghana have a significant portfolio of poverty-reduction projects. Indeed, a number of donors have indicated that the most successful projects (i.e., those providing them with the most satisfaction), were probably the small community-based projects intended to reduce poverty. They are regarded as successful in many cases because "one can see the effects on those communities and the appreciation of the communities for the facilities". It is evident from the earlier discussion of donor coordination, however, that there is considerable discord among donors about GoG capability to provide policy direction about aid requirements in order to rationalise the provision of poverty aid in a more comprehensive package capable of improved community impact. Quite recently, most significant donors in Ghana managed to extract from the ministry of finance a promise to set up an inter-ministerial oversight committee on poverty whose responsibility will be to articulate GoG goals and objectives and coordinate resources for countering poverty. The committee has been ineffective as meetings are seldom called, while the committee itself lacks a secretariat.

The consequence is that many donor efforts in various regions and sectors are uncoordinated, often leading to duplication of projects. An example noted from a NORRIP evaluator's report suggests that in parts of the northern region, some communities have two and sometimes three water and health projects from different donors and NGOs, while others have none. When donors simply respond to communities that are able to reach them, it only takes one or two individuals from those communities to attract a donor agency's support to their communities. There appears to be no system for rationalising donor support for poverty-reduction interventions to communities since no one projects management unit for a ministry is capable of handling a comprehensive programme for poverty reduction that deals with both economic and social items. Another illustration of the consequences of poor rationalisation of donor support to communities is the large number of cases reported by NORRIP evaluators of different makes of hand pump attached to wells and supplied by different donors. These were wells and pumps managed by the communities, but the makes require quite different replacement parts which make it difficult for local communities to maintain the pumps and wells efficiently. Obviously, greater harmonisation in locating projects is required, much as it is essential in designing projects. Local communities suggest that water projects in particular with different designs make maintenance difficult and often costly. Officials at IERD have suggested that the ministry of finance, in collaboration with the National Development Planning Commission and the ministry of local government and rural development was setting up a new national steering committee to implement a recently completed National Action Programme on Poverty Reduction. This, it is believed, will assist in improving the relationship with donors on the management of poverty-reduction programmes and projects, and enhance the effectiveness of projects.

6.2 Aid and Institutional Capacity Building for Development Management

Has aid improved the respective capacity of recipient institutions and GoG to plan projects and wider reforms? The simple fact is that before reform there were hardly any public institutions that pursued clear action programmes to achieve specific objectives (Aryeetey, 1985), but that many institutions have recently begun preparing medium-term plans. Similarly, the government has set up a National Development Planning Commission. The other side of the story, however, is that the major planning activities of those institutions and GoG mostly rest on a few key individuals whose capabilities have improved tremendously. While training has been an essential component of the donor-supported capacity-building effort, trained personnel have had little opportunity in many instances to contribute to the planning and management capabilities of their institutions.

Scope of Donor Support for Capacity-Building: The significant growth of technical assistance as indicated in Figure 2 shows the considerable interest donors have had in strengthening the capacity of Ghanaian institutions to manage aid and other development matters. Even though many multilateral and bilateral donors have actively participated in capacity building we illustrate common experiences with capacity building, and its impact by reference to the UNDP's country programmes for Ghana (complementing the civil service reform programme discussed earlier). The first objective of the fourth cycle country programme was the strengthening of government's planning and management capability so that it could better cope with domestic and external events affecting the economy, carry out the structural adjustment required for economic recovery and sustainable rural development, and make better use of both domestic and external resource flows. When this was approved in 1987, USD 20.5 million of the Indicative Planning Figure (IPF) funds was allocated to this sub-programme to finance ten ongoing and nine new planning projects. Between 1987 and 1990, the scope of this planning sub-programme was expanded to include non-planning institution-strengthening projects that merited IPF-financing. The UNDP labelled its involvement in planning a top priority for both the fourth and fifth cycle country programmes. It agreed with government that in view of the emerging planning system which focused on a decentralised framework, special attention needed to be paid to training all key personnel at various levels of the planning structure, including the districts.

It is noteworthy that, following a thematic evaluation of these projects in 1991, most of the twenty-five projects were observed to have had problems during implementation. These varied from poor design leading to non-achievement of immediate project objectives to constraints on the provision of government of Ghana inputs, as well as slow disbursements by UNDP. While questions were raised about the rationalisation of project costs in relation to actual and expected outputs in many instances, most evaluations of projects saw the need to have them in place. A general view has been that in departments that benefited from such projects, the provision of technical assistance and equipment often helped to bang those departments back to functional life. Very often, technical assistance helped provide training for younger people who later participated in policy preparation and project implementation.

Impact of Capacity Building on Recipient Institutions: The setting up of well-equipped projects management units within various recipient institutions is cited by both donors and the recipient institutions as evidence of improvement in their capacity to plan development projects and help rationalise the use of aid. The PMUs were set up with considerable support from several donors. While various ministries are expected to prepare the plans in terms of which PMU staff will design and manage projects in consultation with donors, very few ministries have actually completed such sectoral plans. Their lack reduces the activities of PMUs to negotiating projects with donors on an ad hoc basis. As seen earlier, even though some projects might originate with the PMU, there is also a high likelihood of their merely responding to donor-offered projects.

As a consequence of the limited use made of PMUs for long-term planning, the most significant improvement that has occurred in their operation has been in their capacity to negotiate deals with donors. Throughout our interviews with donors and recipient institutions, we came across similar sentiments about the extent to which aid has strengthened and improved the negotiation skills with institutions. Many donors have observed that government ministers appear better briefed during negotiations on projects than in early reform years. The quality of the briefs depends on the capabilities of the PMU coordinator.

While we found within each PMU competent and highly qualified coordinators, we also observed the relatively insignificant roles mat other professionals in the units play, particularly with respect to interacting with donors. Donors have also observed this development. Thus, while Japanese aid staff and missions were impressed by Ghanaian negotiators, particularly at ministerial level, they were sure that the level of competence and understanding of the Japanese aid programme did not reach down the ministerial hierarchy. Indeed, quite a number of donors were not satisfied with lower and middle-level personnel in most of the government offices they had to deal with. They suggested that capacity building had been concentrated rather narrowly in specific groups within each ministry, often defeating the objective of capacity building, because activities became personalised. A number of donors believe the narrow spread of competent persons in the ministries for managing aid is due to poor remuneration, which causes very competent people to move to the private sector. This is not for lack of training over the reform years. Donors often indicated that although GoG has considerable capacity because of increasing technical assistance, Ghana is still at a transitional stage and requires extensive support in order to develop policies.

Some staff of the PMUs interviewed believed that capacity building within the public sector has, in part, had a lesser impact than expected because of a "cultural unwillingness to open up". The style of public service has not facilitated democratic debate within government and beyond. There is little debate about processes within the governmental system. When debate takes place in small groups, it is often confined to the higher levels, making other people typically suspicious and defensive. Not requiring middle-level officers to participate in discussion and debate denies them opportunities to interact professionally with donors and widen their knowledge.

Impact of Donor-Recipient Relationship on Institutional Capacity Building: Indeed some of the staff of PMUs believe that the nature of the relationship between donors and their institutions has contributed to the lack of debate in those institutions by focusing on particular individuals who became indispensable. Donors have tended to unduly personalise relationships they have with a number of institutions when they have found individuals competent and cooperative. In a situation where all donors would like to deal with the one person, often the coordinator, little time is left for carrying on the normal business of pursuing a comprehensive programme for the institution. The end result is even more chaos in the programme. In sum, while capacity-building efforts have helped strengthen the management and negotiating skills of various institutional representatives, the circle of beneficiaries has been too narrow to be more generally effective.

Impact of Capacity Building on National Planning: National planning is pursued at the broad macroeconomic level, as well as at the level of sectoral intervention. We saw earlier how the umbrella project was established to strengthen capacity for undertaking national planning. Using its own execution criterion, the last evaluation mission of the umbrella project noted that the outputs of most components were very satisfactory with respect to their conformity with umbrella project objectives, terms of reference, execution, quality of output, and follow-up. It observed a few grey areas, however. The evaluation mission believed that project terms of reference were too broad, thus leading to difficulties in focusing outputs. The overall weakness of the project was attributed to insufficient preparation and internal coordination of studies before they reached the terms of reference stage.

The creation of the National Development Planning Commission has been the most significant outcome of the umbrella project. The commission intended to perform on a permanent and sustainable basis the functions of the project. While there remains considerable enthusiasm and hope about the potential of the Planning Commission, there are very few indications of the work of the commission being placed in the mainstream of national planning activity. Its capacity is only slowly being built and it is apparently the focus of the resentment of a number of key ministries that fear the creation of a super-ministry. The result is that the only coordination of interministerial development activity it undertakes is the compilation of information about the activities of various ministries and departments after the activities have been undertaken. A development planning guideline, stating the long-term national development vision and broad strategies for development for the period up to 2000 has lain before parliament for a year.

Parliament, which was reintroduced only in 1992, also has problems in coordinating development activity through proper legislation and its traditional role as watchdog. A major source of macroeconomic instability since 1992 has been due to GoG over-expenditure. While the constitution empowers parliament to approve the budget and monitor expenditures, poor understanding of parliamentary processes, weak and poorly informed standing committees, as well as political bias in a de facto single party parliament have conspired to make parliament ineffective in watching over public expenditures. Not much support comes either from the Bank of Ghana and the accountant-general's department. Indeed, the post-1992 experiences with macro management show how the concentration of decision-making authority and negotiating and management skills in a small group has deprived the nation of critical national institutional development. Capacity-building efforts seemed to have been concentrated on producing a number of trained persons without much regard for strong national institutions. This is a trend that has reduced the effectiveness of donor assistance to capacity building for national development management, since there is little indication of an increased ability by national institutions to address the core development problems of the country.

It is not clear what aid can do to effect such institutional development, since this also involves a large measure of cultural development. Since 1992, donors have provided support for the development of democratic institutions, including support for the electoral system, the legislature, the judicial system, and a number of other essential public institutions. The provision of equipment and training has been the focus of such support. These can yield fruit in the medium-to-long term only if Ghanaians absorb or can internalise the practices that the donors seek to support. Such change takes time and donors cannot do much about that. The only role donors can play in these processes is to encourage the government to respect national institutions and foster their development by opening them up for scrutiny by the public and other institutions. Respect for the auditor-general's report, for example, strengthens that department in its attempts to bring sanity to government finances.

6.3 Sustainability of Aid

We need to focus on the sustainability of the wider reform programme as well as the sustainability of aided development projects. Regarding the first, we need to answer the question of whether aid has made it possible to mobilise domestic and other foreign resources for national development, in addition to attempting to build capacity to manage such resources already described. Current macroeconomic trends and the lack of discussion of possible solutions suggest that sustainable processes have not yet emerged. The trends in poverty indicate that permanent solutions have not been found as a relapse in growth trends is already harming standards of living. On project aid, the essential question on sustainability is whether the supported activities can be maintained and continue to provide an acceptable quality level after external resources cease to flow. We comment here first on the sustainability of the economic reform programme and then follow it with that of project aid.

Sustainability of the Reform Programme

Our earlier review of the ERP showed that growth has been substantially less than expected since 1992 and sectoral development has not been appreciable. In particular, the agriculture and manufacturing sectors have seen very little growth. It is now generally acknowledged that one of the most severe drawbacks to the Economic Reform Programme was its failure to generate adequate private sector response (World Bank, 1994). The growth potential was lost due to the tardiness in giving positive signals to the private sector, and by the contradictory nature of signals that were given. Some have delayed investment decisions while others are perceived to have an anti-private sector or anti-profit bias, resulting in low levels of savings, investment, and in capital flight. This failure is also seen as the root cause of the resurgence of macroeconomic instability (Aryeetey, 1994). In this regard, the anticipated outcomes of aid to Ghana cannot be expected to be sustained in the medium-to-long term without significant redesign.

What was wrong with the design of the reform programme? Considering the short-to-medium term objectives of ERP, there was basically not much wrong with the design of the programme. What was missing was a long-term goal. There was no attempt to convince anyone, not even members of the government, about the rationale for reform. The argument was simply that reform was the only way to reverse the negative macroeconomic trends. Hence, ERP simply began with stabilisation objectives and then moved slowly into structural adjustment without a national programme for long term structural transformation and development. Any pretence at poverty reduction, for example, was implicit. For many Ghanaians, the tendency was to view ERP as a short-term government programme that was a basic requirement for receiving aid (Ninsin, 1991).

We tend to believe that economic reform can only succeed if it has a clearly stated and nationally acceptable long-term goal. In that situation, such issues as sequencing of specific reform measures, scope of reform, and the design of specific policy measures would be placed in the context of that goal. The process of specifying that goal itself requires appropriate political processes that ensure that the interests of various socio-economic groups are duly accounted for. While that process may take longer than Ghana took to get reform started, it is logical to assume that it will lead to a more durable reform process. If Ghanaian investors did not invest their resources in the reforms, it is not because they did not appreciate the need for reform. It is simply that they did not appreciate the clarity of the reform process. The uncertainty that surrounded the regime and its actions have been the biggest flaw in the whole process of reform. In the absence of that, aid simply became a substitute for domestic and foreign private investment. Without that aid, the reform process could not have started; but it was obvious that magnitude of aid would never lead to sustainable growth and development, even if substantially increased The only way forward is to pull into the national political system and public decision-making processes the views of a wider cross-section of society than has been the case hitherto, even under constitutional rule.

There is no reason to believe that the donor-recipient relationship on its own could have influenced the outcome of the reform process. Neither could further restructuring of aid from different sources have made significant difference to the effectiveness of aid in relation to sustainability. We note most aid that supported reform was intended to help offset temporary shocks, including those caused by terms of trade deterioration. Aid and reform were simply thrown into an environment that had not been adequately prepared to receive them for a long-term purpose. That environment was ready for a short-term palliative, and that was all it could tolerate.

Sustainability of Poverty-Reduction Projects.

Even though our case studies of one large integrated rural development project (NORRIP) and a relatively small rural water project were not systematically selected to relate project outcome to any number of determinants, including project size, type of donor, etc., we believe that their obviously different community impacts are not accidental. Moreover the fact that communities are better able to manage facilities under the World Vision programme in the northern region with less expense has already been documented (Aryeetey, et al., 1992).

Large integrated rural development projects have never been sustainable in Ghana, that is project activities have not continued after the withdrawal of donor support. Aside from NORRIP, other projects include the Upper Regional Agricultural Development Programme (URADEP), Volta Regional Development Programme (VORADEP), and the Central Regional Integrated Development Programme (CERIDEP). With the exception of the last, the others have been terminated and in none of them are project activities undertaken by the local institutions that undertook analogous activities during project implementation. It should be noted that they have always been implemented in Ghana by semi-autonomous agencies that have hardly ever been reintegrated without difficulty into the public administration structure.

Decentralised project implementation through semi-autonomous units became popular among developing nations in the 1970s and 1980s. They were encouraged by international development agencies, which had become openly sceptical about the existing administrative machinery of various developing countries. The World Bank, which co-financed URADEP, was said to have "used its influence to assure that income of public revenue-producing entities be kept separate from other government revenues and be used, when needed, for the expansion of the organisation's own facilities" (Mason and Asher, 1973). It was often argued that the creation of special organisations for integrated rural projects was a way to ensure that projects would be better managed, become self-financing, and, not least, ensure that the creditors would be repaid.

Again, in support of the use of semi-autonomous units to manage rural development, it was observed that the management of such bodies has a "clear responsibility and the necessary authority to co-ordinate activities and to supervise performance of a number of different departments" (Lele, 1975:129). Other advantages over the civil service were as follows:

1. A greater sense of direction towards goal attainment;
2. Institutional goals were measurable;
3. Institutions enjoyed relative independence;
4. Greater coordination in formation and implementation of work programmes;
5. A shorter chain of command;

6. More financial resources were usually available to project managers;
7. More training, additional administrative incentives, higher salaries, more fringe benefits, and greater job satisfaction (Lele, 1975).

On the other hand, semi-autonomous units tend to adopt lines of command that are at variance with those of the existing bureaucracy, and there is usually the difficulty of aligning their activities with those of other departments working towards similar goals (Lele, 1975). The level of participation by beneficiaries or clients in semi-autonomous units is often much lower than expected. The units tend to operate as service-delivery systems, without any more formal channels for participation than exist obtainable in the normal bureaucracy. Local participation then becomes informal since beneficiaries, being mostly illiterate, are often in no position to participate in formal control of the system (Aryeetey, 1985).

Ghana's experience with large integrated rural projects indicates neither that project objectives have a higher likelihood of being attained nor that they will be sustainable after support is withdrawn. URADEP began as an agricultural investment programme, taking over the functions of the extension division of the ministry of agriculture. Based on the IRD approach, improved regional intersectoral linkages were envisaged in the long-run, leading to a multi-sectoral development of the region. The goal of the agricultural development programme was broken down into two objectives. These were, first, to increase agricultural production and farm incomes, and second, to establish permanent farm support services. They were to be achieved by "redefining the role of agricultural service and intensifying the extension for crop and animal production and human nutrition; by developing associated physical infrastructure, including an intensive effort to halt the rapid rate of soil erosion; and by developing specialised institutions to service the commercial and financial requirements of the region's farmers" (IBRD, 1975).

On the other hand, there is no reason to believe that smaller projects with fewer components for individual communities will be more sustainable. Two village projects from World Vision certainly convey contrasting images: the project at Atarekan seemed to have a more positive impact on income-generation than the one at Nsare and, therefore, has a higher likelihood of sustainability. There is an abundance of such inconclusive experiences in rural Ghana, judging from project evaluations. However they seem to have a better reputation than the large ones. NGOs may not only be better aid managers than semi-autonomous or national institutions, they also have greater credibility among beneficiaries than large public entities, whether semi-autonomous or not. This is attributable to the higher level of beneficiary participation they permit. In turn, this has a higher likelihood of encouraging beneficiaries to continue maintaining facilities more a carefully than they would otherwise do with public facilities.

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The Effectiveness of Donor Aid in Kenya's Health Sector[1]

Michio Watanabe and Motoki Takahashi

1. INTRODUCTION

This report discusses the effectiveness of foreign aid to sub-Saharan Africa, taking Kenya as an example. We have chosen the country mainly because it is one of the largest recipients of Japan's aid in the region, and diverse types of aid have been provided to it. Another reason is that a comparatively large volume of data are available.

We pay special attention to the health sector because it has had priority in Japan's aid to Kenya. In addition, the analysis of the sector will aid in evaluating the impact of structural adjustment programmes (SAP) which have been implemented in Kenya since the 1980s. SAPs were introduced to Kenya in order to raise the efficiency of the public sector, and thus the effectiveness of donor aid. While the primary focus is on Japan's aid, other donors' aid will also be referred to, since the health sector has received substantial aid from various donors, including multilateral and bilateral institutions and NGOs. We also refer to various hospitals as example, including Kenyatta National Hospital, the largest medical institution in Kenya and an umbrella organisation fro all health initiatives in the country.

2. SETTING

This section describes the development of Kenya's economy focusing on the macroeconomy and the impact of SAPs. Second, we briefly analyse Kenya's health sector. Finally, Japan's aid policies to Kenya will be explained.

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1. The article is based on a study undertaken by the authors together with Yasuo Uchida, all from the International Development Centre of Japan. The Kenyan research was done by Dr. Kangethe Gitu.

2.1 Kenya's Economy

2.1.1 Macroeconomic Development

Kenya's economy has had a mixed history since independence, with GDP growth averaging 6.5 per cent annually over the period 1964 to 1970. This strong performance was disrupted by the first oil crisis, leading to a deceleration in growth to below 4 per cent for much of the early 1970s. Thanks to the coffee boom in the second half of the 1970s, Kenya postponed a serious economic crisis until 1980, when the country had no choice but to undertake IMF and the World Bank-sponsored structural adjustment packages because of the second oil crisis. From then on, structural adjustment has dictated macroeconomic policies in Kenya. The severe drought of the early 1980s, associated with the world recession and turmoil caused by the aborted coup in 1982, depressed economic growth, which sank as with the lowest level below one per cent in 1984.

Low efficiency of investment in the late 1970s resulted in high incremental capital-output ratios and a negative growth rate in productivity during the early 1980s. This situation was exacerbated by stabilisation policies, an integral part of SAP, that cut expenditures sharply. However, as a result of prudent macroeconomic management by the government, coupled with favourable weather conditions, growth resumed in the mid-1980s. Growth rates reached 4.8 per cent and 5.5 per cent in 1985 and 1986 respectively. This economic recovery was sustained temporarily by an expansionary fiscal policy, a reaction to the austerity policy in the first half of the 1980s.

From 1990, GDP growth declined to below 4 per cent, due partly to poor agricultural production. Conflicts with donors over democratisation and structural adjustment resulted in a decreased capital inflow in 1992. As a result, growth rates fell to a mere 0.5 per cent in 1992 and 0.2 per cent in 1993, the lowest figures since independence. Foreign reserves declined and were sufficient for just over one month's work of imports. In 1993, the inflation rate skyrocketed to a record of almost 100 per cent, partly because of an accidental money supply increase. This major crisis was overcome when government renewed its political stance on reforms and invited fresh foreign aid inflows. The economy apparently resumed recovery. Growth rates reached 3 per cent in 1994 and 5 per cent in 1995. The balance of payments reached a five-month import equivalent in the latter half of 1994.

2.1.2 Structural Adjustment and Public Sector Reform

Without discussing SAP, our exploration of aid effectiveness in Kenya would be less than complete. Macroeconomic adjustment policies undoubtedly affect aid effectiveness. Reforms in the public sector, including the health services, have been a major focal point of SAP in Kenya as well as in other sub-Saharan African countries. Efficiency improvement in the public sector, which SAP has aimed at, has been expected to enhance aid effectiveness.

Kenya's performance in implementing SAP change dramatically. In the early days of its adjustment, the first half of the 1980s, Kenya ranked as one of the best performers in sub-Saharan Africa, mainly due to its achievement of short-term stabilisation. However, at the beginning of the 1990s, Kenya was accused of multifaceted "off-track" behaviour.

From 1980 to 1986, macroeconomic stabilisation was emphasised. Thus, restrictive fiscal and monetary policies were undertaken. Reduction in fiscal deficit and subsidies was achieved during this period. The harsh austerity measures, however, led to deceleration of growth. The International Monetary Fund (IMF) and the World Bank supported the SAP, respectively providing the country with short-term stand-bys and a structural adjustment loan (SAL). IMF's traditional approach, exchange rate and demand-side restraints, seemed to be favoured over supply-side structural reforms in this period.

In reaction to the strict austerity policy, demand-side restraints appeared to be relaxed, and structural reforms were given higher priority in the second half of the 1980s. In short, structural adjustment in Kenya was geared such that growth would be associated with adjustment. This corresponds to "growth-oriented adjustment" in IMF terminology. The Bretton Woods institutions continued supporting the country with IMF's newly established special schemes to low-income countries—structural adjustment facility (SAF), enhanced structural adjustment facility (ESAF), and the World Bank's sectoral adjustment loans (SECAL).

While institutional reforms achieved some results such as trade liberalisation during the second half of the 1980s, the mitigation of macroeconomic restraints seems to have led to economic imbalances and off-track behaviour in adjustment policies. Trade liberalisation triggered deterioration of the balance of payments. Public sector reforms, such as privatisation and restructuring the civil services, were less successful than expected. In addition to loosening budgetary discipline, diversion of public expenditure allocations occurred. Public expenditure composition became biased towards employment expansion in the public sector and an increase in wage bills. The expenditure was diverted from investment, repairing, or maintaining capital stock. Needless to say, this general diversion of government expenditure was detrimental to sustaining physical infrastructure projects, a number of which were supported by foreign aid.

Because of recession and increased unemployment in the first half of the 1980s, overt and other demands on government from swelling numbers of urban dwellers and political clients to create jobs were far stronger than before. It was impossible for the Moi administration, already shaken by political and economic crises, to continue with harsh austerity policies.

Swamy (1994) indicated that Kenyan government employment was likely to have expanded far faster than the growing demand for government service. This general trend seemed to be exacerbated in the latter half of the 1980s. Because of the expansion of employment, the civil service's wage scale became highly distorted. Wages in the public sector relative to those in the private sector fell because of slow wage increases. The wage scale became compressed because wage increases were more favourable for the lower and less-skilled strata in the civil service. At the same time, the number of lower-strata civil servants grew faster than the higher ones.

Stagnant wages, wage-scale compression, and poorly planned job creation caused several unfavourable effects on fiscal balance, working morale, and civil service management. Needless to say, these developments have impaired affected the effectiveness of foreign aid programmes and projects.

In addition to the public sector employment situation, public investment projects have not necessarily been efficient or effective. In Kenya, the development project selection-process has been highly politicised. Efficiency and effectiveness in terms of use of scarce financial resources for socio-economic development have not always been given the highest priority in project formulation, selection, and design. Given the diversion of financial allocations towards employment and wage increases, the improved efficiency in investment projects due to prioritised budgetary allocation achieved in the mid-1980s soon deteriorated. In the meantime, politicisation of development projects is deeply related with inadequate transparency and accountability in public sector management.

Though efficiency-improvement in the public sector is a main objective of SAP, this policy, especially the stabilisation measures, had the unexpected effect of public employment expansion and distortion of the wage scale. At the very least, it failed to improve efficiency of the public sector in the 1980s.

After 1991, SAP has undergone another major change. Due to conflicts between donors and the Kenyan government over political and economic reforms, quite a few bilateral donors suspended new commitments or pending disbursements. The economic situation suddenly became critical, and Kenya's economic performance in 1992 and 1993 was among the worst since independence. The government resumed more adjustment policies to save the economy from collapse. It restrained public expenditure, expedited deregulation of foreign exchange transactions, decontrolled prices, and partially permitted foreign investor participation in privatisation. The results of this major change for SAPs in Kenya are yet to be seen.

2.2 Health Sector

2.2.1 Health Situation in Kenya

Since independence, health indicators have improved dramatically. The crude death rate dropped from 20 per 1,000 at independence to 12 per 1,000 in 1993, and the crude birthrate from 50 per 1,000 to 46 per 1,000 over the same period. Both infant mortality and life expectancy have also improved dramatically. The coverage of immunisation programmes has also grown.

However, the health situation in Kenya must be improved further. The proportion of the population with access to health services was still 77 per cent during 1985–93. Only 54 per cent of births were attended by trained health personnel during 1983–93. In addition, the ratio of population per doctor and per nurse during 1988–91 was about 20,000 and 9,091 to one respectively (UNDP, 1995).

While the burden of disease in Kenya is not well measured, it is known that preventable, vector-borne diseases are the most important causes of morbidity and mortality. Malaria is the single most important cause of morbidity and mortality in Kenya. It represents 30 per cent of all illnesses nation-wide—approximately six million cases in 1992 alone—and its incidence is growing. Acute respiratory infections (ARI) are the leading cause of in-patient admissions. Malaria and respiratory diseases account for almost 50 per cent of all reported diagnoses in government health facilities, and intestinal parasitic infections and diarrhoea raise this to almost 60 per cent of all reported cases.

2.2.2 Health Sector Policies

A central policy of government has always been to give high priority to improving the health of Kenyans. Health infrastructure in Kenya has increased rapidly since independence. There are three main sources of resources for the health sector in Kenya: government, donor, and private funds as is shown in table 1. The government accounts for roughly 48 per cent of current spending on health, while foreign resources in the form of aid have declined to about 21 per cent. The declining trend in foreign aid expected to continue unless capacities to absorb external funds are enhanced and new sources are identified to supplement local resources. The ministry of health, therefore, has to rely more heavily on domestic resources to finance its budget.

Table 1: *Health expenditures by source and type of intervention (%)*

	Government	Donor	Private	Total
Community	9	21	2	9
Preventive	15	30	21	19
Curative	77	49	77	72
Total	48	21	31	100

Source: Regional Workshop Report.

Healthcare spending falls into three categories: community, preventive, and curative. Total healthcare spending in Kenya favours curative spending, which accounts for about 72 per cent. Preventive and community interventions, at 19 per cent and 9 per cent of health spending, receive a much smaller share. The provision of adequate and quality healthcare has been critically hampered by a number of problems, most particularly financing constraints. For example, per capita expenditures on healthcare were USD 9.50 in 1980–81, but since then have dropped to about USD 4.50 in 1991–92.

The congestion and delays at health institutions occasioned by inefficiencies and shortages of medical facilities, exacerbate healthcare problems. In addition, healthcare costs in Kenya are likely to escalate with the increase in the prevalence of HIV/AIDS. To cope with financial constraints and to fulfil the conditions imposed by USAID, the Kenyan government introduced user charges in 1989. While this issue is discussed below in section 4.5, this measure was not very successful in raising revenue and improving healthcare services, at least in the short run. In 1992, faced with people's scepticism about the charges as well as about the government itself and its lack of transparent operating procedures, the Moi administration was forced to scale back the user charge allowing outpatients to be exempted from it. The results of these user charge measures are as yet unknown.

2.3 Japan's Aid to Kenya

For the last several years, Japan has been the largest donor to Kenya in terms of volume of aid. The annual disbursement to Kenya has gradually increased from USD 25.22 million in 1981 to USD 141.66 million in 1993. Kenya was the tenth largest recipient of Japan's bilateral aid in 1993. In sub-Saharan Africa, Kenya is the largest recipient of Japan's cumulative loan and technical cooperation.

The government of Japan undertook a series of studies on Kenya in the 1990s and identified the following sectors as priority areas for assistance:

1. Human resource development (HRD)
   Primary and secondary education, vocational training, administrative capacity;
2. Agricultural development
   Infrastructure, research cooperation, extension of agricultural technologies;
3. Economic infrastructure
   Transportation systems, energy resources, telecommunication systems;
4. Population and AIDS
   especially in rural areas in collaboration with NGOs; and
5. Environmental conservation
   Wildlife, forest conservation and replanting, water quality (Ministry of Foreign Affairs, 1995).

Many of these priority areas are directly or indirectly linked to the health sector. Population and AIDS are self-explanatory. Health can hardly be attained without sufficient nutrition in (agricultural development) and good water quality (environmental conservation). Health is also a basic precondition of HRD.

Japan's emphasis on the health sector can be seen in Table 2 below. The health sector (public health and medicine) accounted for 12.5 per cent of accepted trainees and 29.6 per cent of seconded experts. The sector has been one priority area for Japan's technical cooperation. Japan's aid to the health sector mainly targeted infectious disease research and control, programmes for immunisation, and population education.

Table 2: *Japan's technical cooperation with Kenya (%)*

	Acceptance of trainees	Dispatch of experts	Dispatch of study team members	Dispatch of JOCV
Planning & Administration	19,8	2,8	2,1	5,1
Public Works & Utilities	21,6	12,8	42,4	19,2
Agriculture, Forestry & Fisheries	19	23,5	14,7	15,3
Mining and Industry	7,3	0,5	9,1	18,1
Energy	1,6	0	6,9	0
Commerce & Tourism	1,9	0,5	0	0
Human Resource Development	13,6	30,1	12,3	41,2
Public Health & Medicine	12,5	29,6	8,2	1,1
Social Welfare	2,7	0	0	0
Others	0	0	2,2	0
Total	100	100	100	100

Note: The figures are for the last five years (1989–93).
Source: JICA. Annual Report 1994

While Japan's aid to the health sector is considerable, little intervention in management aspects has been incorporated in the design of projects. Moreover, the related evaluations did not raise the problem of management weakness in this sector.

3. EVOLUTION OF AID TO THE HEALTH SECTOR

Table 3 presents combined recurrent and development budgets according to the source of finance (the government of Kenya and donors). It shows that less than 30 per cent of all health budgets has or will come from donors during 1993/94 and 1995/96.

Table 3: *Combined recurrent and development health budgets by source of finance (Ksh million)*

	Total	GoK	%	Donors	%
1992/93	286,495	200,299	69,91	86,195	30,08
1993/94	310,948	223,947	72,02	87,001	27,98
1994/95	343,917	255,365	74,25	88,552	25,75
1995/96	375,834	269,228	71,63	106,606	28,37

Source: Government of Kenya. 1994. Kenya's Health Policy Framework.

Table 4 presents the breakdown of aid disbursement by major donor (bilateral, multilateral, and NGO). It shows a wide disparity between the level of funding committed by donors and the amount that was actually disbursed and expended on projects. We will come back to this issue in section 4.1. The table shows that USAID and the International Development Association (IDA) have

Table 4: *Total resources (disbursements and commitment) to the health sector from major donors during 1989–92 (USD 00,000s)*

	1989 Dis-burse-ment	Com-mit-ment	1990 Dis-burse-ment	Com-mit-ment	1991 Dis-burse-ment	Com-mit-ment	1992 Dis-burse-ment	Com-mit-ment
Austria	8	20	13	20	5	25	-	5
Belgium	-	11	17	53	4	53	-	53
Canada	16	71	6	59	9	94	-	59
DANIDA	34	267	41	280	49	386	-	386
FINNIDA	40	182	50	175	68	188	-	188
GFR/FRG	51	236	49	282	48	228	-	9
Japan	-	24	37	75	37	75	-	62
Netherlands	12	58	6	58	4	58	4	48
NORAD	11	41	12	41	-	35	-	35
ODA/UK	12	170	24	156	49	232	-	172
OXFAM	1	1	2	5	-	-	-	-
SIDA	71	440	82	440	73	440	-	440
USAID	128	673	169	700	106	700	73	700
EEC	0	22	17	25	-	22	-	9
IDA	-	726	34	1076	110	1076	132	1156
UNDP	1	17	3	21	7	21	3	18
UNFPA	21	79	20	75	13	85	2	78
WHO	48	280	42	278	5	279	19	213
Other	15	130	52	219	47	343	93	245
Grand Total	533	4085	726	4150	711	4463	260	3952

Note: Totals may not be exact due to rounding.
Source: UNDP Inventory of Selected On-going External Assistance Projects.

provided the largest amounts of aid to Kenya's health sector (both on a commitment and disbursement basis). Since the breakdown of IDA's healthcare aid is not available, table 5 presents USAID's figures.

Table 5: *Breakdown of health care aid (disbursement and commitment) by USAID during 1989–92 (USD 00,000s)*

	1989 Dis-burse-ment	Com-mit-ment	1990 Dis-burse-ment	Com-mit-ment	1991 Dis-burse-ment	Com-mit-ment	1992 Dis-burse-ment	Com-mit-ment
Primary health care	9,4	175	52,5	175	14,4	175	0,8	175
Family planning	119	490	115	517	89,6	517	2,4	517
Immunization and other disease control campaigns	-	8	2,8	8	2	8	4	8
Grand Total	128	673	169	700	106	700	72,7	700

Source: UNDP inventory of selected on-going external assistance projects.

Table 5 shows that family planning (particularly nutrition planning and provision of safe water) was given primary focus, accounting for 60 to 70 per cent of total healthcare aid commitment. Control campaigns focus on the integration of the AIDS programme into health education and education against drug abuse. Again we observe large discrepancies between disbursement and commitment.

4. MAJOR CONSTRAINTS ON EFFECTIVENESS OF HEALTHCARE AID

Foreign aid has contributed to the improvement of the overall health status of Kenyans, as shown in tables 1 and 2. However, health aid has not been very effective due to various factors and needs to be reformed through policy and institutional changes. Efforts by both government and donors to enhance the impact of health investments in Kenya are necessary.

4.1 Recipient Aid Management

The Japan International Cooperation Agency (JICA) has identified three major problems that hinder effective implementation of aid projects in Kenya (JICA, 1992):

– Shortage of government recurrent costs
– Shortage of counterpart human resources[1]
– Lack of self-sustainability of projects due to institutional problems

A shortage of local funds contributes to less effective implementation of donor-funded health projects/programmes. At the Embu District Hospital and the Rift Valley Provincial General Hospital (Nakuru), freezing of committed funds by the treasury of the government of Kenya has seriously affected project implementation. Unspent funds were returned to the treasury because of unnecessarily bureaucratic conduct among government officials.

As stated in section 3, there have always been large discrepancies between committed and disbursed donations for healthcare aid to Kenya. One explanation for this discrepancy in lies in treasury-imposed budget ceilings, to control the budget deficit under the SAP scheme. These budget ceilings constrain the ability of sectoral ministries to absorb aid funds. Another explanation may be inefficient project-implementation management which leads to delays in and an inability to utilise available funding. If the government would fully and effectively utilise all available donor funds, then a significant portion of current finance shortfalls could be alleviated.

Contemporary project/programme formulation in Kenya emphasises capacity building through strengthened management and design capability. This enables sustained and effectiveness of project/programme aid. Adequate and effective administrative capacity, especially local organisational competence

1. A case study on Kenyatta National Hospital identifies that local technical and managerial capacities are inadequate and it resulted in ineffective oversight on the utilisation of health resources.

among managers of health institutions and the distribution of skilled health personnel, are recognised as critical factors in promoting effective utilisation of healthcare aid. Although local technical and managerial capacities have been enhanced through routine capacity building (local and external training programmes for policy managers), much still needs to be done to equip these managers with the necessary skills and techniques for project management. In addition, the shortage and skewed distribution of trained medical personnel impairs the government's ability to provide foreign aid projects with sufficiently qualified Kenyan experts.

Institutional considerations also need to be taken into account in financing health-related aid projects/programmes. These include problems such as bureaucratic red tape, poor coordination, excessive centralisation, misuse of funds, lack of transparency (particularly in tendering procedures), lack of accountability, and inadequate procurement and distribution procedures for aid drugs and other medical supplies.

A case study of Kenyatta National Hospital showed that inadequate transparency (how money was spent) and poor accountability (who decided to spend it) hindered the effectiveness of project/programme aid. Continued centralisation of spending decisions makes it difficult for health institutions to make appropriate expenditure decisions. Planning the location of health facilities and the intended services is often highly politicised. In the case of foreign assistance to the Embu District Hospital and the Rift Valley Provincial General Hospital (Nakuru), distorted tendering procedures led to unproductive expenditures.

The ministry of health has been overstaffed (see section 2.1.2), making it very difficult for managers to effectively motivate and discipline staff members. This creates laxity in appointing frontline health staff, thereby reducing the effectiveness of project/programme aid.

Frequent breakdowns of equipment also creates problems. Studies of thirteen ministry of health hospitals in Kenya found 40 per cent of their equipment was out of order and 40 per cent of operating room equipment was in need of repair. These problems derived from the diversion of budgetary allocations away from repair and maintenance. Our studies of Embu District Hospital and the Rift Valley Provincial General Hospital (Nakuru) found that the high cost of vehicle maintenance (not matched by local funds) led to ineffective logistical support for the implementation and sustainability of projects/ programmes.

4.2 Donor Aid Management

JICA has identified the following problems with regard to donor aid management in Kenya:

- Inappropriate coordination with other donors and/or lack of leadership on the Japanese side despite its numerical superiority

- Inadequate coordination among Japan's cooperation projects, ranging from loans to grants to technical assistance
- Inappropriate level of technologies provided through Japan's aid
- Lack of commitment on global issues (population, AIDS, and the environment) identified by the Japanese government and imperative in Kenya
- Lack of experience in cooperation with or utilisation of local human resources and NGOs, and support for South-South cooperation
- Delay in devolution of aid organisations
- Inadequate understanding and information on Kenya's social and cultural situation.

Though JICA clearly indicates that the allocation of local funds is a major constraint on aid effectiveness, the Japanese government is very hesitant to finance recurrent costs. This is partly due to the Japanese aid philosophy which believes that self-help efforts by recipients should come first and that securing recurrent costs is an essential part of the recipient's efforts. In other words, the Japanese tend to view recipients as being solely responsible for providing sufficient local funds. While this attitude may enhance self-sustainability of development projects in general, if adopted too strictly in Kenya and other sub-Saharan African countries where the fiscal situation is acute (partly due to SAP), it could jeopardise project effectiveness.

To ensure appropriate implementation and to enable donors to adjust projects to meet changing local needs, earmarking a portion of resources from the aid package for monitoring short- and long-term effectiveness of health services is also necessary.

4.3 Donor-Recipient Aid Relationship

Excessive dependence on foreign aid can cause an increase in inefficient and unproductive investments. The growing reliance on foreign aid and counterpart funds has contributed to higher consumption expenditures by government, particularly in the civil service. These occur at the expense of other sectors, such as investment in the human aspects of preventive and curative healthcare.

Donor-funded projects/programmes have insufficiently addressed technical and administrative issues affecting the quantity and quality of manpower in the health sector. As mentioned in section 4.1, aid agreements have not been made fully conditional on the ability of government to provide sufficient training and appropriate deployment of trained medical staff.

Coordination should be not only among donors but also between donors and recipients. In the case of family planning, coordination by donors seems to be good. But to maximise the impact of health aid in family planning programmes in Kenya, integrating family planning projects into other community-based health programmes, such as Primary Health Care/Bamako Initiative (PHC/BI), at the district and community level is necessary to eliminate duplication of effort and wasted resources.

Unlike the multilaterals or USAID Japan has less experience of implementing general or wide-ranging conditions. It has instead been fond of request-based aid (yosei-shugi). Now Japan has launched a policy dialogue approach with recipient countries. The basic idea of policy dialogue is that encouraging self-help efforts through mutual understanding is more important and effective in achieving policy goals than imposing unilateral conditions. However, it is still premature to evaluate Japan's impact in promoting Kenya's self-help.

Good coordination between donor and recipient, especially at the design stage, can identify potential problems and, enhance the effectiveness of projects. The Japanese government, based on dialogue with Kenya, provided supplementary assistance in the form of drugs and vehicles to boost service delivery and field coverage by the Kenya Expanded Programme of Immunisation (KEPI). Senior hospital managers and staff indicate that the assistance received from the government of Japan has contributed immensely to increased health service coverage, and made it possible to provide better health education to the target population.

4.4 Coordination among Donors

Though general efforts to coordinate donor aid activities in Kenya have been made by UNDP or the World Bank, much remains to be done. An improvement in coordination and the development of greater policy coherence is needed to avert possible duplication. For instance, effective coordination may help standardise the supply of medical facilities and equipment. Lack of enforcement of standards for the type, quality, quantity, and compatibility of the vast array of equipment, fixtures, and vehicles impedes the best possible use of available donor resources (Kenya and UNICEF, 1993).

A major coordination role should rest with the Kenyan central and local government, as it is supposed to be familiar with local needs and is responsible for project implementation. The government of Kenya has tried to implement initiatives for better coordination. With the emerging concept of a more unified UN operation at the field level, the government has responded by instituting greater coordination of social-sector plans with all UN agencies through "Kenya's Country Strategy Note". Examples of collaboration in health or health-related fields include UNICEF's comprehensive programme of cooperation and UNDP's commitment to the Human Development Strategy.

However, effective coordination is particularly difficult in the health sector because the number of donors is so large and health sector projects involve so many ministries and institutions. For instance, the effectiveness of project/ programme aid in dealing with malaria has been inadequate because of inappropriate coordination, partly due to insufficient efforts by the Malaria Control Unit (MCU) in Kenya. Malaria control activities should be integrated with PHC/BI at both district and community levels. In order to facilitate the coordinating role of the MCU, networking between WHO and NGOs may be necessary.

4.5 Government Ownership

Ownership is a subjective concept and is difficult to measure, but objective criteria might include the preparation of local funds, allocation of counterpart human resources, institutional discipline, accountability, and coordination among ministries. Lack of inter-ministry coordination can result in differing agendas, especially of project identification and priority establishment. This can result in the allocation of aid resources and lack of project sustainability.

Financing recurrent costs is one of the prerequisites for project effectiveness, especially sustainability. Recipient governments need to allocate part of their budgetary resources or should incorporate a mechanism that raises sufficient revenue within the project itself to cover these recurrent costs.

In Kenya, increased demand for health services in the face of limited resources has required the mobilisation of additional resources. In December 1989, the government introduced outpatient and inpatient user charges at all public sector facilities, except dispensaries. In July 1990, it introduced reforms to the National Hospital Insurance Fund. These measures were among in conditions of USAID's healthcare financing project that had been agreed in August 1989. According to the original fee system plan, financial assistance from the ministry of health was to be reduced as revenues from user charges began to accrue. To encourage the collection of fees and improvement in service quality, 75 per cent of revenues collected were to be retained at the generating facility. The remainder was to be allocated by Health management boards. The adoption of this policy was expected to result in a net revenue gain to the health sector. These measures included a waiver system (complete exemption for those unable to pay) and the provision of free services for family planning, maternity, and child health.

Implementing this measure, however, was problematic. One of the main difficulties was the Kenyan people's scepticism about the inadequate quality of healthcare and facilities and inconsistent user charges, such as the waiver system. The granting of the waiver on grounds of inability to pay was, and still is, at the discretion of designated officers in each health institution. These measures have been ill-managed and they have contributed to widely shared scepticism about the waiver system. Attendance at charging facilities initially declined following the introduction of fees. Concerned about public dissatisfaction over the lack of improvement in health services and the waiver system, the government announced in August 1990 that all user charges would be temporarily suspended until improvement in service delivery and exemption procedures could be ensured. The announcement was made without any prior notice to USAID and the World Bank, which had been assisting health sector reforms through SAP. The Moi administration later changed its policy again and announced that only outpatients were exempt from user charges.

It is interesting to note that an attitude survey of Kenyan people shows that most are willing to pay for public health services, if the quality of services is improved. This argument is also supported by the fact that many Kenyans now pay substantial fees for private medical services. When fee structures are properly instituted, user fees could generate substantial funds to maintain and perhaps develop public health services. However, because of the general management weakness in public sector health facilities, user fees discouraged health facility use.

This episode clearly shows that the Kenyan government had to reconcile two different demands: from the Kenyan people; improving healthcare services and infrastructure: from the donors; shrinking budgetary expenditure to raise efficiency. Although these two should be compatible (at least in the long run), they sometimes conflict with each other in the short run. Given this dilemma, the government was forced to adopt inconsistent policies, which further undermined the accountability of the government.

4.6 Macroeconomic Policies

The effectiveness of project/programme aid in Kenya's health sector is directly linked to the macroeconomic circumstances prevailing in the country. These constraints include inflation, devaluation, fluctuating terms of trade, and declining budgetary provisions. The burden of accumulated debt compromises the effectiveness of project/programme aid by diverting local resources that would otherwise be used to supplement donor aid in social investments, such as health.

Above all, it is important to explore the impact of SAP which Kenya has undertaken since 1980. The policies have had a substantial impact on aid effectiveness, both favourable and unfavourable.

Due to strict control on fiscal expenditures imposed in the first half of the 1980s, unproductive projects were cut, and thus scarce budgetary resources were relatively efficiently allocated to investment projects. Public expenditures were better prioritised. This was evidenced by the overall efficiency of public investment, which actually improved in 1985 and 1986. In the health sector, budget rationalisation had the effect of increasing the efficiency of healthcare delivery.

However, devaluation has raised the domestic price of imported goods, including drugs, vehicles, and medical equipment. This means increasing costs of health inputs and of basic provisions such as safe, clean water. The result of cuts in public spending is a reduction in available training funds, a reduction of funds for buying drugs, vaccines, and other medical supplies, a reduced ability by the ministry of health to employ more health manpower (thus inhibiting improvement in ratios of health manpower to population), and a reduction of funds for preventive and promotive interventions. Price decontrol implies that prices tend to go up in the short term, causing an additional burden on society. In this case, health reform programmes, to the extent that they have adverse economic implications on the population, should be accompanied by generously funded programmes to mitigate the social costs of SAP. Nevertheless, it should be emphasised that the package should have long-term benefits through the creation of incentives for more production and employment.

5. CONCLUSION

Kenya's health situation has shown significant improvement over the last few decades, but much remains to be done. Foreign aid has partially contributed to this success, although it has not constituted a significant share of total healthcare financing in Kenya. The health sector has often been affected by the country's fragile overall economic situation. The impact of the structural adjustment programmes on the sector has been notable.

The following are the major findings of this study.

With regard to recipient aid management, the major problems appear to be inadequate human resources and insufficient institutional capabilities. Thus, foreign aid should focus on capacity building, particularly in the area of management and project design. Fostering managers' administrative capacity in local health institutions is also important. To strengthen health-related institutions, improved transparency and accountability is required. In addition, a sufficient budget should be allocated for financing recurrent costs to ensure repairs and maintenance.

The financing of recurrent costs is an important issue for donor aid-management. While Japan is hesitant to finance the costs (as it emphasises the importance of self-help efforts), the Kenyan government is sometimes unable to allocate the necessary funds due to an extremely acute fiscal situation, partly resulting from SAP. From the viewpoint of enhancing aid effectiveness excessively strict adherence to this aid philosophy may need to be reconsidered, taking into account the recipient's situation. Strengthening the monitoring of project implementation and sustainability by earmarking a proportion of resources from the aid package is necessary.

Regarding the donor-recipient aid relationship, it is important for recipients to avoid excessive dependence on foreign aid, as it often increases inefficient investment. It is also important to design aid projects that take into account the ability of the recipient government and its manpower. Good coordination, especially at the design stage, can help identify problems and enhance the effectiveness of projects. Coordination between donors and recipients should include district and community levels, although this may require enhanced coordination skills and a more flexible institutional framework.

In principle, the major coordinating role should rest with the recipient. However, this is particularly difficult in the health sector because the number of donors is so large and the health sector projects involve so many ministries and institutions. Therefore, coordination among donors is particularly important. Japan, being a major donor to Kenya, may take more initiative in this respect. Effective coordination may help standardise the supply of medical facilities and equipment and, thus, can raise efficiency in the use of donor resources.

Government ownership is a precondition for successful project implementation. Differing agendas among relevant government ministries and institutions can lead to inefficient implementation of aid projects. Government ownership can often be weak due to other circumstances, such as the short-term adverse impact of SAP, although government ownership and SAP should be compatible in the long run. Government credibility among donor nations and clear procedures are key factors.

Macroeconomic circumstances and SAP undoubtedly affect aid effectiveness, both favourably and unfavourably. Strict controls on fiscal expenditure improve the allocation of budgetary resources, and, thus, improve overall efficiency of public investment. On the other hand, devaluation, for example, can have the effect of raising domestic prices of imported goods, including drugs, vehicles, and medical equipment. Cuts in public spending reduce available training funds and funds for buying drugs, vaccines, and other medical supplies. These reductions have a detrimental impact on healthcare services. Generously funded and carefully designed programmes to mitigate the social cost of SAP are necessary.

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Managing European Aid Resources in Mali

Glenn Brigaldino

1. INTRODUCTION[1]

For several years now he discussion of issues in aid effectiveness has preoccupied Western aid donors and academics. Numerous studies have been conducted and commissioned which resulted in voluminous and generally insightful research results. The theme has been popular mainly for two overlapping reasons: donors have been keen to legitimise their reduced contributions to international cooperation; and the research findings on aid effectiveness have been instrumental in underscoring the need for good governance and participatory modes of development in recipient countries.

Research and debate on aid effectiveness have been driven almost exclusively by donors, leaving the recipient on the defensive. To be sure, in many underdeveloped countries, particularly those misruled by undemocratic regimes and/or frequently subjected to social, political, and ethnic turbulence, the reasons for seeking and insisting on profound policy changes and institutional revival have been valid and need not be fundamentally questioned.

In this chapter it will be argued that the emphasis on better management of resources in recipient countries needs to be complemented by an analysis of how well the "best practice" lessons from donor's aid policies are adhered to. In presenting the development setting of Mali and synthesising some preliminary findings from an investigation into aid effectiveness as between Mali and the European Union, instructive suggestions and feasible policy-management adjustments are pointed out.

2. AN ECONOMY OF SCARCITY AND VULNERABILITY

Mali, as a least developed country faces a broad range of profound obstacles to development. It is illuminating, to note that the gap between Portugal, the lowest ranked EU country on UNDP's index of human development, and Mali is

1. The author wishes to acknowledge the important contribution in researching the original working paper on which this chapter is based made by Mr. Mamadou Namory Traoré, Bamako, Mali. All partners in the collaborative research project on aid effectiveness in sub-Saharan Africa are thanked for many useful comments made. Finally, without the genuine commitment to the research project of ECDPM's director Louk de la Rive Box, the European dimension of aid effectiveness would have remained elusive.

136 points. This information alone highlights the economic conditions in Mali under which development cooperation needs to operate. Despite the considerable constraints on effectively organising and utilising EU development resources to Mali, the full potential of these resources for reducing economic vulnerabilities has yet to be realised.

In Mali, low productivity in the dominant agricultural sector, consistently large trade deficits, persisting debt pressures, and extreme reliance on foreign financing of official budgets characterise the economy. The weak production and trade base of Mali is compounded by environmental resource management problems, mainly related to the fragile nature of the desertification-prone agricultural areas and competing demands on land use between the livestock and agricultural sectors. Food security is a policy priority of the government: nevertheless Mali continues to depend on food imports to fully meet local demand.[1] Mali's food security is closely linked to issues of managing the fragile food production base and to institutional questions regarding the organisation of food commodity markets. This linkage has been comparatively well managed in recent years, enabling Mali to increase food exports.

Most social indicators in Mali are low, several, such as access to health-related services (27 per cent in total, 60 per cent in towns, 25 per cent in rural areas) or child immunisation rates, are distressingly low. Infant mortality is high, as are under- five mortality levels (in 1993, 217 per 1000 births). Ratios of doctors and nurses to patients have been improving in recent years, but urban-rural biases remain pronounced. Likewise in the education sector, low indicators are to be noted. For example, primary education enrolment rates are among the lowest in all of Africa, especially for girls. Public expenditure in each of these crucial social sectors for human development less than three per cent of the very small gross domestic product (USD 530 in 1993). The weak general resource base, combined with low standards of human development, provide the background against which Mali's economic fragility and vulnerability to ecological and economic crises are to be seen. Sustainable development efforts will need to pay systematic attention to vulnerability-reducing measures and to the capacities required to reduce vulnerability in a socio-economically integrated manner.[2]

Patterns of employment are dominated by the agricultural sector which provides over three-quarters of national employment opportunities, while contributing only some 40 per cent to GDP. Distinctions between unemployment and underemployment are difficult to make; cross-sectoral employment is frequent and often subject to seasonal factors. Temporary migration is an impor-

1. For an overview of food security in Mali (annex), see S. Davies, September 1992, "Famine early warning systems and response: the missing link? Mali 1990/91". Case Study no.4. IDS draft paper.

2. On the basis of forty-one case studies, Anderson et al.,1989, note that "vulnerabilities and capacities relate not only to physical or material poverty but also to social/ organisational factors as well as motivational/attitudinal factors".

Table 1. *Human development in Mali (1993)*

Population	10.1 mill.
Growth rate	3.1%
Under-five mortality	217 (per 1000)
Life expectancy at birth	49 years (1994)
UNDP HDI value (ranking 171 out of 174 countries)	0.223 (1.0 = max.)
Education index	0.24(1.0 = max.)
Adult literacy	28.4%
Gross enrolment ratios (1992)	female: 11.1% male : 18.9%
Labour force in agriculture (1992)	85%

Source: UNDP *Human Development Report 1995; Human Development Report 1996*

tant factor in easing pressures on the local employment market, although employment opportunities abroad are swiftly decreasing, as regional immigration possibilities in Africa are reduced and labour-migration to Europe is effectively curbed by new discriminatory immigration policies and practices. Wages in Mali are low even by regional standards, the GNP of USD 250 in 1994 being indicative of this. Prices remain very sensitive to fluctuations in food supply and agricultural production.

The fall of Moussa Traoré's regime marks the beginning of a broader democratic process in Mali. Not without its imperfections, the process has nevertheless allowed for genuine political participation in Mali. Malian politics today can be characterised as a growing assemblage of parties and interest groups, many of which are still in search of clear policy directions and purposes. The mix of political and social actors is now an institutionalised reality in Mali. A lively media plays several roles in society and allows for debate on the development policy process. The role of the army in politics appears secondary.[1]

Even a cursory overview of Mali's political situation will suggest that "lines between main actors are not always clearly drawn: the state bureaucracy is itself akin to a set of institutional interest groups; political parties are influential in both parliament and the media. In addition, each major actor can play a variety of roles" (USAID, 1995:18).[2] The complexities of Mali's internal politics are an important consideration in efforts enhance the effectiveness of external development resources.

1. The army, despite continuing rumours of coup, seems increasingly apolitical. Political Bamako is further divided by complex attitudes towards the IMF and the World Bank, France, and the West in general. These have sharpened since the perceived imposition of the devaluation of the CFA franc. Arguments over structural adjustment cut across party boundaries, "...and it is over such issues that a divide between political and social groups has formed, resulting in tensions at the grass roots of parties... ." (Economist Intelligence Unit, 1993:36–7)

2. The USAID study highlights several of these points and provides a useful chronology of political and economic events in Mali for the period Jan. 1990 to June 1994. For a concise outline of Mali's recent political developments, see Engelbert, 1994:543–7.

3. EVOLUTION OF AID FLOWS TO MALI

Over the period from 1987 to 1994, Mali obtained a comparatively steady flow of international development assistance. Gross official development assistance to Mali averages around USD 400–450 million per year from a multitude of bilateral and multilateral donors. The European Union, through the European Development Fund (EDF), usually ranks as the third largest donor, behind France, the largest single donor, and the World Bank/IMF. Since the early 1980's, Mali has adhered to structural adjustment programmes. Since then, public service restructuring, transformation of parastatals, and efforts to decentralise the economy have deeply reshaped Mali's public sphere.

The country's chronic budget deficit is nearly 85 per cent financed by external sources. The country's indebtedness is equivalent to five years of development aid. On the more positive note, international reserves in Mali have steadily improved since 1988, from the equivalent of just 10 per cent of incoming aid resources in 1988 to well above 50 per cent on average from 1991 onwards. In comparison, reserves now amount to about 8 per cent of outstanding international debts (up from 2 per cent in 1988). In addition to the chronically negative state budget, the official trade balance is consistently negative. The net official development assistance of USD 442m in 1994 amounted to 16 per cent of GNP, or about USD 35 per capita.

What emerges from this quick overview of Mali's financial situation is that integration into the world market has so far failed to reduce the country's highly dependent international position. Development aid has either failed to reduce such dependency or it has been misused and misappropriated to such a degree that its overall development effect has been insignificant. Generating development resources internally remains largely inadequate to meeting existing needs and expectations. Thus, external resources and obligations continue to determine Mali's policy options for managing available aid resources to implement development strategies. In theory, the alternative to this dependence is substantial direct foreign investment, but in the case of Mali, FDI amounts are barely worth recording (being repeatedly negative). Under such circumstances, Mali's official international relations are predominantly, if not almost exclusively, of a recipient-donor nature. Mali's regional political, private, informal business, and cultural relations are of less than secondary importance to the country's development strategies.

In 1993 terms, external assistance to Mali was equivalent to more than 16 per cent of GNP, while its debt burden was equal to nearly 100 per cent of GNP. This heavy reliance on external resource flows severely limits the country's policy options regarding budgetary allocations and development priorities. This is particularly the case where a specific donor ties large portions of assistance, or where the dialogue process on aid utilisation is dominated by the donor.

Table 2. *Major aid donors and their share of total ODA*

	Bilaterals	Multilaterals	
France	18%	UNDP	4%
Canada	4%	EU	10%
Germany	11%	IDA	15%
Netherlands	6%	ADF	5%
USA	8%	Others	5%
Arab countries	2%		
Others	12%		

Donor aid to Mali is provided through numerous channels and in differing forms. Assessing which type of aid relationship attains the highest degree of effectiveness should be of utmost interest to all development actors in Mali. A closer look at aid from the EU under the provisions of the Lomé IV Convention may serve as a reference point for assessing how the type of aid relationship and its effectiveness influence one another.

4. MANAGING EU AID RESOURCES IN MALI

For the period 1995 to 2000, Mali can expect to receive approximately 190m ecu (USD 230m) under the eighth financial protocol of the Lomé IV Convention, a nominal increase of ca. 10 per cent.[1] On average, Mali receives some 1.5 per cent of total EU aid to the African, Caribbean and the Pacific (ACP) countries (DAC, 1993), EU aid accounting for about 10 per cent of total ODA received by Mali. The total share of ACP exports to the EU originating in Mali is less than 0.5 per cent.

During the five year period of the 7th Lomé-IV financial protocol, 171m ecu were allocated to Mali, 152m ecu of which was made available as grants, 16m ecu for structural adjustment support, and 19m ecu as risk capital (EIB administered). The main areas for which resources were designated were:

- structural adjustment support (hard currency allowance for imports)
- food security
- environment
- decentralised cooperation and private sector support
- transport infrastructures
- health, and
- primary education.

Compared to previous EDFs, Mali's utilisation rate of resources under the 7th EDF has risen considerably. The situation with regard to individual types of aid under the EDF differs, of course, with structural adjustment support being drawn upon most extensively. The instrument of technical cooperation is fairly

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1. The 8th National Indicative Programme (NIP) was to be finally agreed in November 1996. The figure above is preliminary.

well used. Others, like decentralised cooperation and micro-projects, are greatly underutilised, as is the case with risk capital from the EIB.

A distinction is made between *programme* and *non-programme* aid. While non-programme aid is decided upon and managed directly by the EU, programme aid is provided within a framework of policy dialogue and joint priority-setting between Mali and the EU. This negotiated aid is provided through a national indicative programme (NIP), funded from the EDF of the EU. The NIP is agreed upon by both sides in a contractual arrangement, according to Article 282 of the Convention. In this document, both sides establish

- priority sectors for aid
- implementation procedures
- timetables
- non-priority aid sectors, regional projects, and structural adjustment support.

Non-programme aid from the EU to Mali consists of a mix of aid forms. These include:

- interest support
- emergency aid
- aid to refugees
- risk capital
- Stabex
- Sysmin[1]

Non-programme aid is generally committed and disbursed faster than NIP resources. However, use of Stabex resources has been exceptionally poor, as is the case with use of risk capital from the EIB (delays in applying for resources and unfamiliarity with procedures being the main causes).

The institutional actors in Mali involved in managing aid from the EU are:

- the minister of foreign affairs and the NAO as his/her delegate
- the minister of planning
- sectoral ministers, according to aid/project type and area.

Formally, project identification, formulation, and proposal are conducted by the sectoral ministries in collaboration with the planning ministry. Through this procedure, a high degree of concurrence between Malian aid priorities and objectives and the NIP can be reached. Two practical impediments undermine the effectiveness of the procedure:

1. Under the Lomé IV convention financial facilities exist to stabilise export earnings of ACP countries from agricultural commodities—Scheme for Stabilisation of Earnings from Commodities (STABEX)—and to support such ACP countries whose economic development relies heavily on the mining sector (SYSMIN).

a. Administrative capacities to engage in the process are weak, leading to limited or non-existent preparatory policy analysis, and insufficient local expertise to apply and interpret Lomé procedures;

b. Institutionally, the planning ministry in Mali is accorded only secondary importance and influence. Direct contacts of sector ministries with donors, including the EU, bypass and/or complicate coordination efforts of the planning ministry.

Deciding on the content of the aid programme is, however, only the starting point and the implementation of the Programme is crucial in terms of meeting development objectives. Again, extremely weak and undeveloped local administrative capacities preclude a high degree of aid effectiveness. Implementation of projects and activities is often blocked by a combination of management faults, such as:

– failure to designate responsible administrative staff and implementing agencies
– delays in financial transfers
– disorientation with regard to the decision-making process, lines of authority, and follow-up on decisions.

Weaknesses in managing the development process autonomously are strongly rooted in the failure to develop administrative, technical, and analytical skills at the lower and especially the middle levels of the administration. At present, the limited capacity that exists is over-concentrated in the upper echelons of ministries and departments, which often consist of no more than two or three decision-makers. These decision-makers in turn, are usually overburdened with administrative work, which either cannot be delegated or is monopolised by the top-level administrators.

The use of local external capacities for development management purposes, like private consultants, NGOs, and academics appears to be rarely adopted, partially as such capacity itself is difficult to identify and/or weak as well. But capacity potentials outside the public service could be better explored, as there is a strong case to be made that "universities, independent research institutes or advisory bodies are often better placed than civil servants to provide objective analysis and review of policy options" (Corkery, 1995:43). A political culture in Mali to freely make use of such non-governmental capacities remains to be cultivated.

In Mali, a National Authorising Officer (NAO) is appointed by the government to take responsibility for the NIP. Officially, the foreign minister is designated as NAO, executive authority being delegated to the director of international cooperation. The EU is represented in Mali, as in most ACP countries, by a delegate of the commission. The EU delegate functions as the counterpart of the NAO and negotiations and discussions on content and management of the NIP are conducted between the two on the basis of formal partnership.

There are indications that institutional constraints tend to prevent EU aid to many ACP countries, including Mali, from reaching a high degree of effectiveness. In Mali, as elsewhere, problems with managing the project cycle are not uncommon. A general lack of policy analysis and policy dialogue related to the selection of projects can be observed. This results in reduced aid effectiveness and weak links between different instruments of EU aid policy.

The call for simplifying procedures and for speeding up decisions on projects and programmes is widespread.[1] The EU Commission has attempted to improve its performance by embracing a new aid management approach, namely an integrated approach to the project management cycle which bases itself on the "logical framework approach". Training of desk officers, delegations, ACP officials, and many others has been conducted on a broad basis. Still, the approach has yet to prove fully effective in meeting its objectives. In principle, responsibilities for delivering aid are shared as follows:

> Throughout the project cycle the delivering of the aid programme is jointly the responsibility of the ACP state and the EU Commission. The ACP Government, represented by the NAO, is essentially responsible for the identification and preparation of projects and programmes, while the appraisal of projects/programmes is a joint responsibility, and the EU is in charge of the approval of financial proposals that are prepared by the EU delegate. (Koning, 1995:19)

The conclusion of the Lomé IV mid-term review in 1995 has modified some modalities for responsibilities. Yet the complexities of managing such a comprehensive aid policy framework as the Lomé IV convention continue to overstretch management capacities both in Mali and in the responsible sections of the EU development cooperation directorate.

For selected instruments, accelerated procedures apply and do allow for greater efficiency in achieving aid objectives. But rather regular procedures, an over-centralisation of decision-making at the level of the EU commission in Brussels impedes progress in achieving greater effectiveness that could be expected if more authority was delegated to the field level (NAO and EU delegate), combined with increased decentralisation and local management of projects.

At the level of programming of EDF resources, procedures at first appear equally straightforward, starting with:

1. Notification of the ACP state of the amount of available resources
2. Drafting an internal Commission policy paper
3. Preparing a draft NIP by the ACP state
4. Dialogue between ACP country and EC on the draft
5. Drawing up pre-programming document to inform the EU member states
6. Discussion with the member states in the EDF committee
7. Drawing up of the NIP and preparation for signature (Nöhlke, 1992:22).

1. Examination of witnesses before the House of Lords, 16 Feb. 1993, point 94, Statement by former Secretary General of the ACP, Dr. G. Berhane, to Select Committee on the EC. HL, 1992–93 session, Report 21, Paper 86., EC Development Aid.

However, absent applicable project cycle procedures for selecting projects, programming of EDF resources requires strong management capacities in order to be conducted effectively. Such capacities have yet to be fully developed in most ACP countries, certainly in Mali. The result is that applying such procedures rigidly, possibly in phases depending on intermediate performance reviews (ECDPM, 1994), considerably over-stretches local capacities for effective management. Thus, in addition to questions of the types of EU aid and how it is organised, the important management question to address in explaining effectiveness of EU aid relates to the appropriateness of aid procedures and how these succeed in promoting effective implementation of development activities and meeting objectives in a sustainable manner. Capacities on both the recipient and donor side of the aid relationship to manage existing procedures play a significant role in securing high levels of aid effectiveness. Redesigning and improving aid procedures in itself will do little to enhance effectiveness of aid without simultaneous efforts towards developing management capacities.

5. THE EU AID FRAMEWORK IN MALI

Development aid from the EU to Mali has been provided since the country's independence in 1960. Aid allocations were first made under the Rome Treaty, thereafter under the Yaoundé I and II agreements and, since 1975, under the Lomé Conventions I to IV.

Cooperation with Mali is formalised under a structure of a preferential agreement, which not only includes the aid allocation, but also allows Mali (and other sixty-nine ACP countries) preferential trade conditions with the fifteen EU member states. This aid and trade relationship of the Convention is enhanced by political cooperation between the ACP and the EU. Joint institutions exist in which economic and political matters between the two are dealt with (EDF committee, joint assembly).

Under the framework of the Lomé IV Convention, formal structures and instruments exist which are intended to allow utilisation of the NIP through cooperative and partnership-based modalities. Through a process of dialogue, close cooperation on all aspects of this aid, from design to implementation and evaluation of results, is the proclaimed guiding principle. This approach to aid appears to be an ideal basis upon which to build cooperation between two partners and it will not be surprising if aid effectiveness under such conditions is eventually high.

Thus, EU aid to Mali is organised on the basis of a near comprehensive catalogue of development themes and areas as set in the Lomé IV Convention. In order to establish whether the resources utilised under the NIP tally with Malian priorities, it is essential to examine the process by which the NIP is formulated and the role of the affected Malian institutions.

After the EU Commission formally informs the president of Mali about the national indicative programme envelope available, the process of preparing the

NIP in detail can commence. The EU delegation in Bamako seeks contact with Mali's NAO in order to formulate the NIP and set time schedules. Mali's minister of planning is drawn into the process of consultation. Principally, the conclusion of the NIP is the result of a process of dialogue and cooperation between the two parties.

Screening of projects by Mali is more formality than in-depth analysis, with the result that most aid proposals forwarded to the EU by Mali will usually be further examined and brought to the formulation phase by the delegation, in lieu of genuine and detailed priority-setting by the recipient. Thus, enhancing local capacity for development planning through intensive involvement and skilful use of a wide range of EDF facilities by Malian aid managers is not really achieved. Much scope remains to further the effectiveness of capacity-development as a policy objective of EU aid to Mali.

The specific types of aid provided to Mali by the EU are delineated by the Lomé IV Convention. Mali, apart from participating in the ACP institutions, cannot influence the composition of the set of EU aid forms. In practice, choosing particular forms of aid in Mali is, by and large, done by the donor institution, the EU.

Difficulties with this tight set of aid forms arise whenever flexibility is required to meet shifting aid priorities or unanticipated aid needs. Once NIP resources have been designated to a particular form of aid, it is very difficult to reallocate them for other purposes and to channel them through other aid forms. Apart from emergency aid, the variety of available aid forms cannot easily accommodate reallocated resources to meet shorter-term contingencies, such as increased budgetary support or debt-related financial adjustments that may become necessary in a country as economically fragile as Mali.

Another issue that handicaps aid effectiveness, is the information and data situation regarding EU aid. Effectiveness is expected to be high when both sides share information about aid activities and procedures openly. A lack of transparency in the aid management process within and between donors and recipients may seriously undermine the effectiveness of aid. In Mali, a mixed picture emerges with regard to this issue, basically due to weak local capacities to collect and analyse data and to make use of processed information in managing policy. Information on the aid programme and on applicable procedures tends to be concentrated among donors.

6. AID COORDINATION: POSSIBILITIES AND CHANCES AT HAND

Possibilities

A core issue in the aid relationship between Mali and the EU is coordination of aid. Coordination is recognised by all European Union member states as having major importance for increasing the effectiveness of aid. From a general point of view, aid effectiveness will almost predictably increase when coordination is intense. In Mali, however, coordination has been a persistent problem in spite of high-level declarations to improve the situation. Donors themselves frequently fail to coordinate their aid efforts, with the result that at times different donors decide to support the same projects. Attempts to avoid such uncoordinated efforts have been made (mainly by UNDP and the World Bank), but so far cross-donor coordination remains limited. Bilateral donors seldom seek to coordinate their activities. Furthermore, bilateral donors tend to seek individual aid dialogues with Mali.

The European parliament has passed motions on the coordination of development cooperation and indicated operational and policy areas where coordination of aid efforts is required (EPCDC, 1993). Within the UN system, coordination functions comparatively well, mainly through three channels: the World Bank in SAP areas; UNDP in non-WB areas; and sector-wise, particular specialised UN agencies (e.g., FAO, WHO). The UNDP has formal a responsibility to coordinate within the UN system through the Joint Consultative Group Policy (JCGP). Regular meetings are held with major bilateral donors (Forsse and Jul-Larsen, 1990:69–87).

On the Malian side, institutional constraints continue to hamper effective coordination of aid. Decision-making on aid matters is fragmented and lines of authority are sometimes blurred. Aid decisions can be considerably delayed as they can require a cabinet decision. Internally, MOF, NAO, planning ministry, and individual sectoral departments take partial responsibility for EU cooperation. Follow-up on decisions reached is often minimal or absent and there is a clear need to strengthen Mali's institutional capacity in this area. Such efforts need to encompass the entire administration entrusted with aid matters through a process of decentralised aid management. Additionally, genuine commitment from the Malian government to seek and promote aid coordination must be ensured. Lack of such commitment for the sake of maximising external aid amounts may eventually backfire, in the sense of swamping Mali with aid it can not effectively manage and for which no clear priorities and needs have been identified.

Chances at hand

Many of the trends emerging from investigating EU aid effectiveness in Mali appear in similar forms in other sources. It is not possible here to explore such sources systematically, yet a few key findings can be referred to. This may help to demonstrate how questions about aid effectiveness are dealt with outside the aid relationship between Mali and the EU.

The most recent and authoritative investigation into aid to Mali has been conducted in the context of Dutch aid (DGIS, 1992). This study covers the years 1975–92 and was published in 1994. It was observed for Dutch aid to Mali of that progress made in coordinating aid tends to be eroded by a proliferation of aid priorities. More development cooperation projects inevitably require expanded thematic management and analysis capacity, as well as increased coordination efforts. Sustainability of aid efforts is considered to be insufficient. The reasons for this are related to complicated aid procedures and too many individual projects to. Local responsibilities in managing Dutch aid are seen as unsatisfactorily low. One main result of the evaluation indicated that the process of project identification, formulation, and decision-making, is mainly a donor-driven exercise due to lack of capacities on the Malian side.

In summary, the evaluation concluded that insights into the most effective forms of development cooperation in Mali remain sketchy. A need is recognised to seek greater local involvement in the process of identifying aid priorities, analysing policy options, and in managing aid under strong local supervision. Capacity-strengthening emerges as the major issue in improving the effectiveness of Dutch aid to Mali.

In respect of overall aid, a past review of UNDP aid to Mali noted that "... the sectoral orientation of aid, generally and for major donors individually, tallies well with national priorities, there is no important deviation in substance" (Forsse and Jul-Larsen, 1992:69). This rather favourable account is challenged in the more recent Dutch review of its aid to Mali. There, with regard to overall external aid it is suggested that "... l'aide extérieure n'est intégreée que très partiellement dans les procédures maliennes de planification, de budgétisation et d'exécution. Le Mali ne contrôle ni ne coordonne effectivement la totalité de l'aide extérieure qu'il recoit" (MATRIX, 1994:16).

Conclusions from the WALTPS [1] highlight the importance of aid dialogue. If aid is to become more effective through stronger policy and management inputs from recipients, the trend needs to be reversed and to lead to "donors ... increasingly arriving at their own vision of the public interest" in recipient societies (WALTPS, 1994/5:105). Difficulties are seen in setting criteria for effective aid and in establishing a credible "overall purpose" for aid to the West African region. The need to intensify the aid dialogue is emphasised, as is the need to base it on a consensus on objectives, and to open it up to currently excluded actors. Also stressed is the importance of reviving aid evaluations to enhance the efficiency of technology transfers. Finally, the pivotal importance of effective circulation of knowledge for development actions to the widest possible range of local and international actors is acknowledged.

At the management level, constraints are most significant and aid effectiveness faces considerable hurdles. Coordination of aid management is the central issue to address in terms of improving aid effectiveness in Mali. Policy coordination extends to various processes, management levels, and different actors. Its influence on the effectiveness of governance is considerable and enhanced

1. The West Africa Long Term Perspective Study, conducted as a contribution to ongoing discussion and debate about sustainable growth and regional integration, particularly focusing on population dynamics. This study was done under the auspices of CINERGIE, a joint initiative of the OECD and the ADB. EU, WB, and bilateral funding supported the study.

capacities for managing coordination must be regarded as a high priority for improving overall aid effectiveness.[1]

Yet for Mali itself to effectively coordinate components of the aid packages it receives, local capacity to coordinate is as a critical factor. Coordination capacity will be the result of successful previous endeavours to enhance local management capacity, even at levels of management where coordination is not an immediate concern in for the effective use of resources. Thus, it needs to be acknowledged that greater recipient involvement in all stages of the aid process is the basis on which an aid relationship will lead to effective aid management. From the identification of aid priorities, to analysis of policy options, to project formulation, implementation, progress monitoring and evaluation of results, stronger and better involvement of local actors and institutions must be aimed for.

Coordination with aid efforts of other agencies and donors will remain central to the entire process and, wherever possible, aid efforts should be complementary. More experimentation with local management should be undertaken, bearing existing constraints in mind. The role of donors in aid cooperation will subsequently have to change from control to an essentially supportive and advisory role. The introduction of local management will need to be accepted as “a serious attempt to promote sustainability in development projects” (Maddock, 1992:406).

7. PARTNERSHIP AND OWNERSHIP IN THE MAKING

Throughout the donor and recipient world, there continues to be “uncertainty about what aid is for and what it has achieved”. While much aid has had enormously beneficial effects on developing countries, a sizeable portion of ODA “misses the target ... and ... its quality needs to be improved”. To redress the problems with aid, “donors badly need to rethink their methods”.[2]

A variety of influences at different policy levels can be seen as important in shaping aid effectiveness in Mali (Brigaldino, 1996a:23–4). Technical influences are among them and as is the case for public administration in general, the process of managing development cooperation will involve itself with different types of technical activities. These include policy formulation and data analysis, policy implementation, as well as monitoring and evaluation activities. Within donor and recipient aid administration systems, “the effectiveness of the policy management process is highly dependent upon the interrelationship between functions, organisations and capacities” (Mutahaba, 1993:49).[3]

1. A useful and insightful “approach to the analysis and management of policy coordination capacities” is presented by Metcalfe, 1994:271–90.

2. Compare the discussion on aid *The Economist*, 7 May 1994, “Empty Promises” (p.13) and “The Kindness of Strangers” (p.21).

3. For experiences in civil service reform in Mali, see de Vos, 1996:43–8.

Among the many development themes that need to be covered in order to attain maximum aid effectiveness, institutional and management aspects of aid are of particular importance. The reason is that institutional and management questions blend into a wider set of issues which extend to development policy themes with specific relevance for Mali. In Mali, the core issues are:

a) progress in strengthening democratic governance and participation

b) strengthening policy formulation and analysis capacities

c) institutionalisation of food security mechanisms, consistent with environmental management and rural development issues.

The different aid instruments used in resolving problems relating to these issues can be expected to enjoy with varying degrees of success. This should not dishearten donors or recipients, as such results do tend to differ between countries. Furthermore: One would also expect a greater degree of failure in poorer aid-recipient countries where, on needs-based criteria, the obligation to provide (aid) would be greater. Poorer countries tend to be characterised by greater uncertainties, weaker institutions, fewer socio-economic linkages and greater vulnerability of their economies to external influences. In these circumstances expectations of what aid can achieve must be lower". (Riddell, 1987:204f.).

Aid evaluations can be powerful tools for increasing aid effectiveness. Project reporting, descriptive progress reports for administrative purposes, and aid evaluations are the usual methods for assessing the effectiveness of aid. As accountability pressures on aid administrators continue to rise, measuring aid's results and setting benchmarks against which to evaluate its impact are becoming more important. In the process of improving the effectiveness of a donor's aid to a recipient country, evaluations play an increasingly important role. While in the past, evaluations have mainly been concerned with performance of individual projects or programmes and have often been conducted as a matter of mere routine, donors are now increasingly aware that evaluation reports (and the entire process of producing such reports) can become powerful tools for improving overall aid effectiveness.[1]

Almost traditionally, evaluation of aid has been a donor exercise. Reports were gathered from the field level, and the flow of information was largely one way to the donor aid administrations. Lessons learned, if any, were fed into the donor administration and used to reformulate donor aid strategies, priorities, and procedures. This routine process is only gradually being replaced by systems of joint donor-recipient evaluation, allowing for both sides in the aid relationship to learn lessons from past aid experiences. It makes no sense for donors to accumulate lessons of experience without sharing and discussing the

1. The Operations Evaluation Department of the World Bank has highlighted lessons and practices in building evaluation capacity. Evaluations are seen as important instruments in improving a nation's public sector management, in particular in the areas of 1. policy analysis and formulation, 2. resource allocation and the budgetary process, 3. investment programmes and projects, 4. examination of institutional and government performance. (WB-OED, Nov. 1994).

with the recipients implications for future improvements in design and management.

As recipients assume larger responsibility in assessing how aid can most effectively meet their development priorities, a parallel process of strengthening recipient evaluation capacity arises and requires systematic attention. Imbalances between donor and recipient evaluation capacities will need to be reduced. Only when competent evaluation capacities exist, can decision-makers, in both countries expect to obtain viable policy options for improving aid effectiveness.

Evaluation capacity is a key institutional ingredient for enhancing aid effectiveness. Stronger recipient capacity to assess relevance, effectiveness, and forms of aid has an important role in fostering aid effectiveness. Broader possibilities to redefine and remodel aid relationships to allow for greater recipient ownership of the aid process can arise from such an increase in the recipient's analytical capacity.

Among the structural constraints, problems pertaining to capacity development constitute the largest single limitation on effectiveness of aid to Mali. The constraint is by no means peculiar to the EU–Mali operation; it resurfaces in virtually all development relationships in Mali and extends to structural adjustment programmes as the defining development paradigm for general Western aid to Mali.

The idea of higher effectiveness through more recipient-managed aid, is mainly discussed with regard to technical cooperation, where it can also be realised most directly. On the recipient side, management of local and external resources development purposes could be significantly enhanced by improvements to budgetary systems, notably the rationalisation of budget choices. Most importantly, "resources will have to be spent for stabilising and generating consensus on the nature of major institutions of a country" (Rahman and Thai, 1991:415). Allocation patterns in Africa of scarce resources will need to follow different rationales than in developed countries: for example using cost-benefit analysis as an allocation technique may prove to be a waste of time and money in social and economic settings fraught with recurrent emergencies and other development crises.

An example for remodelling aid rationales has been formulated in the UNCTAD Paris Declaration of 1992, where clear and straightforward measures have been suggested for improving aid effectiveness. They include "institutional aid for better management and coordination of resources" and "greater local and recurrent cost support" (UNCTAD Paris Declaration, 1992). However, a gap persists with regard to useful recommendations and their practical implementation in specific aid relationships.

Improving effectiveness of EU-Mali cooperation cannot be attempted in isolation from broader policy and development reform agendas. Continued progress in strengthening democratic governance and participation values and commitments in Mali remains the one most prominent issue for Mali to concentrate on; donors should be prepared to provide support for this process when requested to do so. France's record in terms of strengthening democratic reform agendas in Mali, as in many other of its former colonies, has been more than dismal. More recently, the less than subtle and thinly concealed interest of the US as a leading donor to Mali to provide support for strengthening democratic processes and structures in Mali in direct relation to Mali's progress in changing its economic policies and structures to meet conditions of SAPs, borders on neo-colonialist development. Insisting on this link can, even in the medium term, discredit democratic values and participatory, egalitarian political principles and structures, in direct relation to the economic hardship and social degradation of Mali's poor in the wake of SAPs. The EU does appear to sense the potentially destructive implications of a blunt imposition of SAPs, and has focused its own SAP assistance for Mali on the alleviation of social hardships which emerge from the SAP-inspired economic policy agenda of Western donors. Development agendas originating in Mali itself have yet to be taken into account in cooperation relations between the country and its donors, and such disregard for indigenous knowledge and popular participation may in the long run, pose the greatest obstacle to development and aid effectiveness in Mali.[1]

8. TENTATIVE CONCLUSIONS FOR AN ENHANCED AID RELATIONSHIP

From the research into the factors affecting the effectiveness of aid to Mali from the EU, a few key reference points emerge as criteria for policy managers and aid stakeholders in attempting to improve the effectiveness of aid resources.

I Involving and considering recipient experiences and perceptions in the design and management of development aid greatly enhances aid effectiveness. Currently, Mali is rarely well incorporated. Nor does it command significant influence in aid relationships. Meeting recipient's aid objectives and beneficiary interests has yet to feature prominently among the goals of development assistance.[2]

II Three core aid management issues require immediate policy attention:

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1. "Within Third World societies, the 'professionalisation' of development studies under exclusionary Eurocentric frameworks, the control of this knowledge by elites in their own interests, and the devaluation of alternative sources of popular knowledge have all prevented the majority from participating in centres of decision-making power. Local self-confidence has been undermined and most grassroots social groups and popular organisations have been blocked from acquiring the knowledge and skills that they need to analyse and solve problems for themselves" (Brohman, 1995:130). The same author provides a very powerful analysis of development contexts, aimed at integrating theory and practical experiences. See: Brohman, 1996.

2. Rondinelli has laid out a framework for strategic management in development assistance. Performance of development aid must be expected to be low, where host country objectives and beneficiary interests do not feature as goals alongside donor policies and country programme objectives. See: Rondinelli, 1994:465–82.

a. the need to increase administrative and management capacities in Mali (at the level of the NAO, but also with regard to decentralisation, regional cooperation, and private sector development)

b. the issue of devolving de facto decision-making power from the EU Commission and delegation to a better mix of development-oriented and committed local actors (notably women)

c. the need to ensure coordinated approaches to development concerns of recipients at all stages of the aid process: from the identification of aid priorities, to analysis of policy options, to project formulation, implementation, progress monitoring, and action-oriented evaluation of results.

III Heavy reliance or even exclusive focus on traditional state actors in development cooperation impairs aid effectiveness. There is wide scope for involving a greater range of actors on both sides of aid relationships, and this potential needs to be better exploited. New channels for aid, such as decentralised cooperation, can open up opportunities for more effective delivery modes for aid—if accompanied by capacity-strengthening efforts. Clearly, the possibilities for involving civil society in development cooperation, including grassroots groups and non-central state institutions (e.g., regions, municipalities) have yet to be fully explored in Mali. Private sector involvement in aid, trade, and investment relations with LDCs is often minimal. Yet increased participation of non-traditional actors in development cooperation will only be effective if it goes hand in hand with capacity building and when it is integrated into coordinated development strategies in accord with the democratically legitimised, national priorities of Mali.

IV Social and economic indicators of development remain very low in Mali. To enhance effectiveness, EU aid should be further concentrated in the areas of food security, decentralised cooperation, and road/transport infrastructures. These objectives are in general in accord with Mali's own priorities. The sectoral balance of aid from the NIP needs to tally well with Mali's sectoral priorities and EU sectoral aid management capacities (and its ability to enhance comparable capacities in Mali).

V The NAO is the local focal point for EU development cooperation, in institutional as in management terms. Still, the capacities of the NAO office remain underdeveloped in Mali, both with regard to policy to operational aspects of cooperation. There is a real need for strengthening the position of the NAO in its relationships with the EU as well as within Mali's governmental system. Technical and personnel resources of the NAO are insufficient to effectively utilise the full range of cooperation facilities and resources available under Lomé IV cooperation.

VI On the EU side, it seems advisable to allow for an easing of procedural requirements with regard to utilisation of the NIP by Mali, in light of the weak local administrative capacities. Stronger efforts are necessary to ensure the sustainability of measures undertaken through the NIP. More flexibility with regard to the setting of aid priorities is called for to allow Mali to utilise resources according to fluctuating development priorities (e.g., drought uncertain debt, trade and investment flows).

The future of cooperation under Lomé terms remains uncertain, in view of the conclusion of the fourth convention in the year 2000. Similarly, relations between Europe and Africa as a whole are weakening as the EU redefines its aid, trade, and investment priorities by turning to geographically closer regions. Moreover a socially more fragmented European public, economic uncertainty, combined with policies of cultural and national exclusiveness continue to erode the foundations of domestic and international solidarity alike. (Brigaldino, 1996b:69–70).

What is clear after more than twenty years of Lomé cooperation, is that a least developed country like Mali, which has repeatedly been subjected to political, economic and ecological turmoil, will require an extended period of support from international donors. By definition almost, capacity building is a long-term process. It appears that neither the EU nor any other donors in Mali have really succeeded in promoting this process. The study of the EU-Mali aid relationship, however, does suggest that a development framework like the Lomé IV convention, that revolves around partnership principles in development cooperation, will allow for greater aid effectiveness in the long-term than less reciprocal cooperation settings. Unfortunately, current aid policy trends, including EU policy, appear to be drifting away from genuine commitment to partnership in cooperation and heading towards new, as yet unknown global cooperation hierarchies.

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Canadian Aid Effectiveness in Senegal
A Case Study of an Aid Relationship

Andrew Clark, Ibrahima Gaye and Malick Sow[1]

1. INTRODUCTION

This study is a summary of a longer study in French written by faculty members at the *Ecole Nationale d'Economie Appliquée* in Dakar (ENEA, 1986). It is not a traditional aid effectiveness study that follows the standard formula of looking at a comprehensive list of donor projects, assessing each one in turn in relating to its relative cost and benefits, and then making an overall judgement on the effectiveness of the aid programme. Rather, it has as its primary hypothesis the view that the aid relationship between donors and recipients, and how this aid is managed, are critical aspects of effectiveness in a given aid programme. It is not nor does it claim to be a comprehensive evaluation of Canada's aid programme to Senegal.[2]

The paper begins by putting the Canada/Senegal aid relationship in context, both from a macroeconomic perspective and also with respect to Senegal's wider donor community. It then looks at aid management and the management of aid flows: first by the recipient government and then by the donor government agency—in this case the Canadian International Development Agency (CIDA). The final section focuses on the Canada/Senegal donor-recipient relationship and the related issues of ownership and aid coordination.

2. MACROECONOMIC CONTEXT

Located at the extreme western point of Africa, Senegal is a Sahelian country of 8.3 million people. It achieved independence in 1961. Politically one of the most stable countries in Africa with a form of multiparty democracy since the mid 1970s, Senegal's economic performance has been largely disappointing. Its GDP/capita in 1994 of USD 600 has barely grown in real terms since indepen-

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2. For a traditional, if dated, analysis of Canadian aid to Senegal, see Lavergne and English, 1987.

dence.[1] The real growth rate of GDP fell from an average of 3.8 per cent between 1979 and 1983 to 2.6 per cent between 1984 and 1988 to 1.7 per cent (less than the population growth rate) between 1989 and 1992 (EIU, 1996).

Senegal's major areas of economic activity include groundnuts and groundnut oil, a fisheries industry, a fertiliser industry based on phosphate deposits and tourism. As well, Dakar, with its relatively well-developed and maintained infrastructure and its strategic location, is a communications and transportation hub for West Africa. Senegal, together with Turkey and Kenya, was one of the first countries to embark on a programme of structural adjustment with the World Bank and IMF in 1982. Since that time, with the exception of a falling out with the IMF in 1983, Senegal has been engaged more or less continuously in some version of a World Bank/IMF supported structural adjustment programme with the generous support of Senegal's donor community. The results of these programmes to date have been disappointing and progress in terms of structural reform beyond fiscal and monetary stabilisation has been painfully slow. Moreover, fiscal stabilisation has been achieved only with the help of Senegal's donors, who have financed the country's fiscal deficit and virtually all of Senegal's public investment for the last ten years. The fiscal environment has also put a good deal of strain of Senegal's public services and its social spending on health and education.

More recently, there are signs that the macro-situation might turn around in Senegal. The devaluation of the FCFA in January 1994—which was successfully achieved at a minimum cost in terms of increased inflation—may go a long way in making certain export sectors competitive again, such as the groundnut and fisheries sectors and the tourism industry. (IMF, 1996:31) As well, devaluation cut the public sector wage bill significantly (in dollar terms) and has helped put Senegal's finances on a more sustainable footing. In 1995 Senegal, after much delay, also repealed Article 47 of its labour code, making it much easier to fire (and consequently one hopes to hire) workers in the formal sector. Programmes of outright privatisation or at least state disengagement, are also finally under way in the critical utilities sector (i.e., electricity, water, and telecommunications).

Senegal's debt situation is mixed, with its total debt falling from USD 4.0 billion in 1987 to USD 3.8 billion in 1994. (World Bank, 1996:402) At the same time, Senegal has accumulated increasing arrears on its debt servicing. Aggregate external net resource flows and transfers have, however, continued to be positive throughout this period, and Senegal's external debt is considered to be sustainable.

Finally, at Senegal's last Consultative Group meeting in July 1995, over USD 1.5 billion in aid was pledged by Senegal's donor community for a two-and-one-half year period, continuing a tradition (albeit at slightly reduced levels) of

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[1]. Unless otherwise stated, all dollar amounts in this paper are in US dollars. Canadian dollars were converted to American currency at the rate of 1 Cdn$= 0.75 US$

generous donor support to Senegal. Whether these recent reforms and continuing aid levels are enough to eventually launch Senegal on its long-awaited sustainable growth path, however, remains an open question. Increased social unrest (which has already surfaced sporadically in Dakar over the last ten years) owing to a lack of visible economic progress after considerable sacrifice over a long period, cannot be precluded.

3. THE EVOLUTION OF AID

3.1 In general terms

In 1994, Senegal received some USD 645 million in aid, equivalent to 16 per cent of its GDP, well above the African average of 10 per cent. Historically, Senegal has been one of the most assisted countries in the world, even if this special status has recently begun to erode, with aid levels falling 22 per cent from the high reached in 1990 (OECD, 1995).

As the chart below indicates, Senegal's most important donor by far is France, which, during the period 1993–94, gave more than all other bilateral donors combined. Other important donors include Japan, the European Union, and the World Bank. The US, Italy, Canada, and Germany are also important bilateral donors. Recently, due in part to large cuts in their total aid budgets, the US and Italy have significantly reduced their programmes in Senegal. Senegal also receives important aid contributions from the African Development Bank, and the UN system. In the past, both Arab donors and donors from the former Soviet Union were also important. Indeed Senegal, at one time or another, has managed to be on virtually every donor's top recipient list.

Table 1. *Aid disbursements to Senegal (average 1993–94)*

Donor	Per cent
France	42
Japan	10
USA	6
Italy	4
Canada	3
Germany	6
Other bilateral	6
European Union	10
World Bank	8
Other multilateral	8

The sectoral breakdown of aid in the period 1993–94, as outlined in the chart below, has been focused on general programme aid or budgetary support and the social sectors of health and education, with each taking almost one-third of aid flows, followed by agriculture and the water sector.

This sectoral breakdown of aid has stayed much the same over the last decade with the exception that the transportation and communication sectors have declined relative to other sectors. As well, a breakdown of aid to the social sector would show that much of this aid has gone to tertiary education and hospital care, rather than the more directly poverty-focused basic education and primary health care sub-sectors (Clark, 1990:21). Indications are that this bias in social-sector spending in Senegal is starting to change.

Table 2. *Sectoral allocation of aid to Senegal 1993–94*

Sector	In per cent
Budgetary assistance	29
Social sectors	29
Agriculture	17
Water sanitation	14
Telecommunication and transport	5
Energy	4
Other	2

3.2 Canadian aid

Beginning in 1970, Senegal has been a priority recipient of Canadian aid. Since then, Senegal has consistently ranked among Canada's top ten to fifteen recipients of bilateral aid. In aid received per capita, Senegal also numbers among the top recipients of Canadian aid. There are several reasons for the priority Canada has placed on its Senegal programme. The fact that Senegal is a francophone African country located in the Sahel count in its favour in terms of overall priorities in the Canadian aid programme (Clark, 1991:23). Until recently, however, Senegal received substantially more Canadian aid than did its francophone Sahelian neighbours (Mali, Niger, Burkina Faso). Senegal has garnered more aid than these others largely due to its relative stability and relative strategic importance. Despite the importance of Senegal in the Canadian aid programme, Canada still only ranks around fifth or sixth as a bilateral donor behind France, the United States, Japan, Germany and, until recently, Italy. Both the World Bank and the European Union are also bigger donors to Senegal. Canada's influence in Senegal is, therefore, quite modest, but the fact that it has had an aid programme longer than any other donor apart from France, and that much of its aid has been of a more complex and involved technical-assistance nature, has perhaps given Canada a stronger role than a mere ranking of donors would suggest.

By far Canada's largest aid project in Senegal has been the creation of and assistance to an engineering school, the *Ecole Polytechnique de Thiès*, a project which spans over two decades at a cost of USD 50 million. The other major sector of Canadian intervention in Senegal over the last twenty-five years has been the natural resources sector, with several projects in both fisheries and forestry as well as to some extent in the energy area. These are all areas where the Canadian government has identified strong needs and in which Canada has some expertise to offer. Canada has also, over the years given, aid to the Senegalese railways, mostly in the form of locomotives and rolling stock manufactured in Canada.

In the late 1980s and early 1990s, Canada also provided budgetary assistance through its food aid mechanism. Priority sectors for Senegal in which Canada has not been a major donor have been agriculture and health.

4. RECIPIENT AID MANAGEMENT

Given the importance of aid flows in the Senegalese economy, the manner in which these flows are managed by the recipient country becomes all the more important. How the government manages aid will be a critical factor in determining whether this high volume of assistance translates into a commensurate development impact for Senegal. The evidence suggests that Senegal's capacity to manage aid has generally been found wanting.

4.1 Aid Management in Senegal in theory

Senegal's aid management system appears at first glance to be well designed (i.e., logical and not overly complex). The basic development planning system consists of three nested planning documents, each with a shorter forward time horizon. These are: 1) Senegal's Long-term Prospective Study of where Senegal and the world might be in twenty-five years time; 2) a more traditional six-year Economic and Social Development Plan; and 3) a rolling three-year Public Investment Programme. This investment programme (known by its French acronym as PTIP) is, in turn, integrated in the annual budget process of the government of Senegal. Since 1987, the PTIP has been Senegal's principal public investment management mechanism and, since close to 100 per cent of government public investment is financed through aid, it has de facto been Senegal's principal aid project-selection tool as well.

The PTIP was brought in to supplement Senegal's traditional static six-year plans. The first three-year-plan covered the period 1987–90 and was considered to be a major component of the World Bank-endorsed Structural Adjustment Programme in Senegal. Indeed, the World Bank had much to do with its design and development, and, at the time, was promoting such a system throughout sub-Saharan Africa. Currently, the PTIP is formulated on an annual basis and is developed through four discrete stages. The first consists of the Planning Division (DP) of the ministry of the economy, finance and planning (MEFP) developing a three-year macroeconomic forecast to provide the context for the year's adjustment to the PTIP. The second stage is a review of the current financial and physical state of ongoing projects by the division of economic and financial cooperation (DCEF) in the same ministry. These first two steps help determine what budgetary resources will be available to finance the PTIP and which have already been committed to ongoing projects. After these two stages are complete, the PTIP process considers which new projects will be incorporated. The third stage consists of the division of planning doing a provisional impact study of new projects formulated and submitted for funding to the ministry of finance by the technical ministries (e.g., agriculture, fisheries, industry, etc.). Finally, in the fourth stage, the project selection committee, co-chaired by the DCEF and the DP, meets to select the projects according to two criteria—first the priorities as outlined in Senegal's development plan, and second the government's ability to find resources to execute the projects. If the project is accepted, the government then puts it in the PTIP and may search for donors to help finance the project. Some projects may be sent back to the technical ministries for further information or revision. If a project is not in the PTIP, then, at least in theory, it will not be incorporated in the government's budget and, therefore, will not be done. This then is Senegal's framework for selecting aid projects. It is apparently rational, coherent, fairly straightforward and, not insignificantly, government-driven.

The actual management of aid projects is not as clearly laid out as the project-selection process. This is invariably a shared responsibility between donor governments and the government of Senegal. Almost all aid projects are assigned to the technical ministry they fall under (e.g., education projects to the ministry of education, transport to the ministry of transport). In theory, the technical ministries, not the donor agency are the lead managers on any given project. Should questions arise on a technical level within a project, the dialogue is normally conducted between the technical ministry and the donor agency.

Backing up this project-by-project linkage between donor and recipients is a Senegalese government official working in the division of economic and technical cooperation (DCET) of the ministry of finance who is responsible for managing the donor's overall programme. This individual, who may be responsible for more than one donor (in Canada's case the person is also responsible for the US, the World Bank, and the UN agencies), is key as s/he provides the entry point for the donor to the recipient government.

4.2 Recipient Aid Management in Practice

The practice (rather than the theory) of aid project-selection and management in Senegal, however, is not quite as presented above. This is particularly true of the PTIP project selection system. In fact over the six-year period 1986–93, the project selection committee met only five times—hardly enough to establish a definitive list of projects to be selected, considering the number of new aid proposals normally developed each year. Since 1993, despite a revision that year to the PTIP legislation to revitalise the process, the committee has not met. Does this mean that no new projects were added to the PTIP since 1993? No. Not surprisingly, an ad hoc system has developed, in which many decisions are handled at the ministerial or political level rather than at the technocratic or civil service level. It is also a system in which 170 out of 316 projects (or 54 per cent) actually included in the PTIP have not been the subject of evaluation by the government of Senegal (UNDP, 1993). The breakdown in the system has also given rise to a number of projects which, while not included the PTIP list, are being implemented and are considered "*hors Programme*".

The non-functioning of the project selection committee can probably be attributed to several factors. A critical one has been the failure of government to evaluate projects at the level of the ministry of finance and planning and, in particular, a declining capacity to do this type of work in the technical ministries (UNDP, 1993). Without proper project evaluations, the work of the project selection committee becomes a much less objective task. Adding to this problem is the fact that the criteria under which the project selection committee operates have never been made clear. It is, therefore, perhaps not surprising that, because the work of the project selection committee has become more subjective, it has shifted to the political realm where ministers battle over priorities. With little in the way of technical information or decision-rules to follow, the Senegalese civil service has been unable to fulfil the function assigned to it in the PTIP system.

Clearly, the failure of the project selection committee points to a need for the technical ministries to be given the capacity to evaluate projects and for project-selection criteria to be clarified. It also, however, points to a real need for project selection to be handled and arbitrated at the political or ministerial level, and that the PTIP system should be modified accordingly. The formalising of this process is far preferable to altering the reality to fit a purely technocratic system or continuing with the current ad hoc process.

It should also be pointed out that the PTIP project-selection system has a number of loopholes which should be closed or otherwise addressed. The PTIP has never been clear as to what constitutes a "public investment project" and has included some technical assistance projects while excluding others. The handling of NGO projects within this system has encountered similar difficulties. There is an urgent need to clarify the situation and either include all projects which require donor funding in the PTIP or to exclude all non-investment projects (i.e., technical assistance, NGO projects). Otherwise, there will always be a temptation to circumvent the formal system by redefining a project so that it falls outside the PTIP. This will inevitably play havoc with the government's budgetary plans. If technical assistance projects and NGO projects are formally excluded from the PTIP, there still needs to be a planning system to take account of what can amount to as much as a third of all aid flows to Senegal (OECD, 1995). This would assuredly be better than the ad hoc "system" in place now.

The reality of the current operation of aid management is that the aid projects which are actually undertaken by Senegal are most often not subject to government evaluation or systematic planning and that ministers and/or donors can and do use the weakness in this system to get "their" priorities and projects adopted rather than those of the government of Senegal as put forth in the development plan. The recent sector adjustment programmes, which are more rational and coherent programmes, could help put the government in a stronger position relative to donors.

4.3 An alternative project planning mechanism: Sector structural adjustment

Perhaps in part owing to the frustration with the breakdown of the PTIP system in Senegal and the lack of concrete progress on several elements of general structural adjustment policies, the World Bank endorsed two major so-called *sector adjustment loans* to Senegal: the Transport Sector Adjustment programme (PAST) in 1992 and the Agriculture Sector Adjustment Loan (PASA) in 1994. Both these programme loans accomplished what the PTIP mechanism and the government of Senegal could not; that is, they developed rational public investment programmes for these sectors that had the full support of the donor community.

They were able to do this because the sector adjustment programmes established competent evaluation units in the relevant technical ministries (e.g., transport and public works and agriculture) to plan sectoral investment priorities. The donors, with the World Bank in the lead, committed their support to these programmes, because in addition to the evaluation, they also had the assurance that certain policy reform measures would be adopted by the government as part of the conditionality of the sector adjustment loan. Also, it was expected that these policy measures would enhance the return on public investment in the two sectors.

The clear drawback to this approach is the dominant role played by the World Bank. The question is: Could the programme have been developed if the technical assistance and advice from the bank had not been forthcoming? Even more important, would the programme have been substantially different if Senegal had taken the initiative to embark on a sectoral adjustment programme on its own? While the bank's role as lead donor is beneficial, perhaps from a donor-coordination perspective, the question again arises as to whether this role should be more properly reserved for the government. If Senegal took over the world bank role in these programmes, then the core of a more effective aid-selection system might be established. For a comprehensive system, however, the government will have to develop a better way of prioritising *between* sectors as well as *within* them. In the end, it is hard to avoid the conclusion that a revitalised and functioning PTIP system, with all the resources this entails (reinforcing the government's technical capacities in all sectors and in central government departments), will ultimately be required.

5. DONOR AID MANAGEMENT

While the record of Senegal's aid management may be less than exemplary, the record of Senegal's donors, and in the case of this study, Canada, in managing aid must also be questioned. At best, Canada and other donors may be guilty of passively accepting substandard recipient aid management and even perversely rewarding it with increased resources. At worst, donors could well be accused of actively promoting a weak recipient management system which allows donor interests to predominate. In the case of Canada, the reality lies somewhere between these extremes. This next section will examine Canada's management of aid to Senegal by first looking at the overall policy framework under which this aid is delivered; second, by looking at the actual formal practice of aid delivery; and third, by taking a more in-depth look at a unique feature of Canadian aid delivery to Senegal, the *Fonds de Contrepartie Canado-Sénégalais* (FCSS).

5.1 Overall policy framework

No one could ever accuse Canadian aid of being managed in a vacuum. The Canadian aid programme to Senegal is more than a list of seemingly disparate projects and has always been delivered in the context of an overall policy framework. In most cases the list of ongoing projects in Senegal has reflected the current policy priorities of the Canadian aid programme.

The main feature to note about the policy framework is that it is made up of a series of nested policies that move from a more general to a more specific level. This has as its principal result policy that, in the field, is driven more from the top down than the bottom up. Canada's aid programme and policy framework in Senegal is informed by CIDA's western Africa policy document, which in turn is informed by Africa branch's policy document, which in turn is driven very much by CIDA's overall policy priorities which form part of Canada's foreign policy. It might be argued, to stretch this argument further, that Canada's foreign policy is, in turn, heavily influenced by Canadian domestic priorities (Nossal, 1988). Of course, when each of these policies is developed, input from the field (or from the bottom so to speak) is sought and much of it incorporated. In the end, however, top down policy formulation predominates, with the result that Canada's aid priorities in Senegal (currently the private sector, protection of the environment, women in development, and regional integration) may not be the same as what might have been developed by the CIDA development officers in the field or, for that matter, what the government of Senegal has already identified as priorities.

Clearly, the advantages of this approach are that Canadian aid policy can be consistent and coherent across countries and that the energies of Canada's aid resources can be devoted to a limited number of policy initiatives where Canadian expertise is strongest. The principal disadvantage, in the context of the present study, is that the legitimate priorities of a particular recipient country may not easily fit within the Canadian policy framework. If Canada rigorously adheres to its policy, then some Senegalese priorities for aid projects may go unfunded. Perhaps this would not be such a problem if the Senegalese people and their government were consulted when the wider policy initiatives are developed. Certainly there is direct formal and informal consultation when country policy documents are formulated, but, for more general policy documents, recipients, the ultimate beneficiaries of aid, are often viewed as just another CIDA stakeholder. They are often treated not much differently from other stakeholders such as Canadian business, academics, and NGOs. Moreover, these Canadian stakeholders are often more closely consulted, in part, because they are more strategic political allies and supporters of CIDA than actual aid recipients. [1] It can be argued, however, that the key to a successful aid programme is that it be recipient-driven and, therefore, that recipients should be considered, at the very least, to be the *primary* stakeholder when it comes to formulating Canadian aid policy.

5.2 The Structure of Donor Aid Management

CIDA's USD 15 million annual aid budget to Senegal is in practice managed and administered by a team of individuals located both at CIDA headquarters in Hull and in Dakar. The chief manager responsible for Senegal's aid programme is the director of operations for the Sahel. The director is based at headquarters and is also responsible for major aid programmes in Mali, Niger, Burkina Faso and smaller aid programmes in Gambia, Guinea-Bissau, Cape Verde, and Mauritania. The director of operations for the Sahel reports to the director-general for West Africa and is assisted by a staff of thirteen development officers based at headquarters. In field in Dakar, there are three development officers based in the Canadian embassy headed by the director of cooperation,[2] who reports to the director of operations for the Sahel. The field staff, in turn, are assisted by a technical support office, the *Bureau d'Appui à la Cooperation Canadienne* (BACC), composed of a staff of eight Senegalese professionals headed by a Canadian director.

Each bilateral project has a CIDA development officer managing it. Both the development officers in the field and those at headquarters manage projects in various countries in the Sahel. The headquarters staff in particular are assigned projects across a number of countries but usually linked within a particular thematic area (e.g., agriculture or education). In practice, most of Senegal's aid programme is managed from headquarters. Of the eighteen bilateral projects in 1994, twelve were managed by five development officers at headquarters, while

1. The most recent CIDA policy document for Africa, "Towards Human Security", was the object of formal consultations with Canadian stakeholders in Ottawa. Similar consultations with recipient governments, however, were not undertaken owing to cost and timing constraints.

2. This number is down from six or seven development officers stationed in Dakar as recently as 1992, when it was decided to re-centralise CIDA operations due to budget cuts.

the remaining six were managed by CIDA staff in Dakar. The field staff and the BACC are there to provide technical support and advice in the field. In all, including the BACC, the total professional person-years devoted to managing aid to Senegal can be considered to be around twelve, spread across sixteen individuals. As with most aid agencies, staff turnover is high with very few individuals spending more than three or four years in any one position or assignment. With a typical project lasting from four to six years from beginning to end, the norm is for a project to be managed by at least two development officers.

Responsibility for overall strategic planning and the development of an overall country programme, as opposed to individual project management, is generally given to a senior analyst reporting to the director general for West Africa and working with the director of operations. This ensures a degree of policy and programme coherence across countries in the region. During the period of this study, however, much of the responsibility for the development of the Canadian aid programme to Senegal was delegated to the director of cooperation based in Dakar. This delegation of authority was a reflection of the expertise and experience of the individual in this position at the time.

The actual implementation of the aid programme is largely contracted out by CIDA. Almost every project will have a Canadian executing agency (CEA), which is normally a Canadian private company or a Canadian-based NGO. Sometimes, as in the case of a project to supply railway locomotives to Senegal implemented by the Canadian ministry of supply and services, the Canadian executing agency is another government department. These CEAs in turn normally work in collaboration with a Senegalese government ministry. While CIDA project managers ultimately determine the terms of reference for a given project and negotiate and sign the contract with the CEA, frequently, and increasingly, the project documents themselves are the work of private consultants who have completed a project identification mission. Moreover, at the other end of the project cycle, CIDA will almost inevitably contract out evaluation missions to private consultants to assess a completed project or advise on an ongoing project.

The habit of "contracting out" at CIDA has grown to a point where it has developed a life of its own. In part, this is the legitimate outcome of the increasing complexity of aid projects and the need for outside expertise. But another factor at work is the diminishing aid budget and the need to keep administrative person-year costs down. What was once done in-house is now contracted out. (The CIDA employee no longer has time to do the job and contracting it out can often move the activity off CIDA's administrative budget and on to a project budget.)

Thus, much of the workload of a CIDA development officer is either taken up with backstopping an ongoing project and making sure things are running smoothly, designing terms of reference for contracts, or receiving reports. One result of this operating mode, and a complaint made frequently by project mangers themselves, is that there is very little time left to look at the "big picture" or do substantive analysis of aid projects.[1] The very real cost of this in terms of aid effectiveness is that substantive aid management capacity is lost or weakened.

5.3 The process of aid management in Senegal: "*La Commission mixte*"

The principal formal mechanism by which Canada elaborates its aid programme with the government of Senegal is known as the *"Commission mixte"*, essentially a formal diplomatic meeting between the two partners which is normally held every three years. The Canada–Senegal *Commission mixte*, which first met in 1979, provides an opportunity for donor and recipient alike to review the aid programme and to plan a three-year framework paper for future cooperation. The Canadian delegation is normally led by a Canadian political representative or senior CIDA official and the Senegalese delegation by the minister of cooperation, with representatives from all technical ministries present. Typically it is the result of considerable preparatory work by both sides and is often an occasion where formal requests for funding of certain projects that are part of the formal public investment programme are made by the government of Senegal. In the years when *Commission mixte* are not held, there is frequently a less high level, yet quite formal, aid-programme review meeting between the governments.

The major advantage of the *Commission mixte* is that it provides both sides a chance to regularly review the entire aid programme and see where it might be heading. In effect, it forces both sides to assess the situation and see how, in future, it might be made more coherent and responsive to the needs of Senegal. For the government of Senegal, it is an opportunity to arbitrate between competing projects within and between ministries and decide its priorities for the use of Canadian aid funds.[2]

The major drawback of the *Commission mixte* is that it is too formal a mechanism where "all is not said" between donor and recipient. In practice, the Senegalese delegation is swelled with civil servants from every ministry and the ministry of economy, finance and planning does not necessarily articulate its more global perspective of Senegal's needs. While Canada is viewed as more flexible than other donors and will change its perspective on matters as a result of *Commission mixte* discussions, it is often the case that Canada will refuse a funding request if it falls outside its sectoral priorities. From the Canadian perspective this may seem a logical consequence of having a coherent policy framework for Senegal, but for the Senegalese this can be a source of frustra-

1. Recent initiatives in CIDA are trying to address this problem through a system of Results Based Management which seeks to unload the contract function from the development officer and make her/him more directly responsible for project evaluations and substance.

2. This prioritisation of uses of Canadian funds by the government of Senegal normally happens in meetings leading up to the formal *Commission mixte* meeting.

tion, particularly if Canada's priority sectors do not correspond with Senegal's. One example that has been cited is the refusal of Canada to fund a road to allow an agricultural region better access to markets, since road transport was not a sectoral priority of CIDA's programme.[1] This occurred even though Canada was already funding an agricultural project in the region.

There are signs, however, that a partial solution to this type of problem might be forthcoming. In developing its aid programme document for Senegal for the years 1995–2000, the Canadian Director of cooperation consulted widely and informally with Senegalese officials, both current and retired, academics, and local consultants familiar with Canada's aid programme. It is hoped that this process will allow for a programme that, notwithstanding the top-down tendency of policy formulation in CIDA, will better reflect Senegal's priorities. To the extent that both Canada's and Senegal's priorities coincide, there will be less possibility of Canada refusing funding requests in future *Commission mixte* settings.

5.4 The Fonds de Contrepartie Canado-Sénégalais:

The *Fonds de Contrepartie Canado–Sénégalais* or the Canada-Senegal Counterpart Fund was created in 1977 and is a unique mechanism for aid delivery among bilateral donors in Senegal. As it name suggests, the Counterpart Fund was set up primarily to fund local counterpart costs, which the government of Senegal commits to when it negotiates a bilateral project with Canada. The fund, which held approximately USD 4.5 million at the end of 1994, is also used to fund short-term and urgent development needs requested by the government of Senegal. Since 1977 the fund has disbursed over USD 56 million and in 1994 alone it disbursed USD 3 million (BACC, 1995:3).

Finances for the fund are mainly raised through the Canadian aid programme by selling Canadian commodities on the open market in Senegal. In practice, this has meant that it has largely been financed by Canadian wheat and, more recently, sulphur sales. Indeed, most Canadian food aid to Senegal has been used to finance the Counterpart Fund. (Only a relatively small amount of Canadian food aid has been needed in Senegal for emergency humanitarian reasons; in such cases the food aid is made freely available to the affected populations.) Sulphur has been sold to Senegal's fertiliser company, the *Industries Chimiques du Sénégal* (ICS). Financing also comes from interest earned on the fund which, is held in several Senegalese bank accounts.

The management of the fund is a co-responsibility of the governments of Canada and Senegal. The Counterpart Fund management committee is made up of representatives from the ministry of finance, CIDA's Dakar office, and the BACC. As well, the fund has a small secretariat headed by a Senegalese national located at and reporting to the ministry of finance. The financial admini-

1. The road in question is the Potou-Taaré and this occurred during the 1981 *Commission mixte*.

stration of the fund is shared between the BACC and the secretariat, and both sides must agree on funding a project before disbursements can be made.

The fund has been used over the years to finance counterpart costs for a wide variety of projects in virtually all sectors. The allocation has reflected Canadian bilateral project aid, with a heavy focus on the fishery and forest sectors, followed by the education sector. The fund is also used to finance technical assistance of a short-term nature as well as housing for Canadian volunteers and, more recently, public works projects not necessarily related to Canadian bilateral projects.

From an aid effectiveness perspective, there are several clear advantages to the Counterpart Fund, the most important being that the implementation of Canadian aid projects is not delayed by lack of counterpart Senegalese funds. In addition, the fund offers a flexible funding mechanism that is fairly light administratively and which is a clear asset in the event of emergencies (e.g., a locust plague). From a donor/recipient perspective, the fund also offers the opportunity for and indeed requires fairly intensive collaboration between Canada and Senegal, and responsibilities are fairly evenly shared. From a strictly Canadian perspective, the fund is an effective way of using Canadian commodities in the aid programme, allowing for 100 per cent aid-tying even while funding ostensibly local costs.

The disadvantages of the Counterpart Fund are, however, also clear. First and foremost, while Canada has never had a problem with counterpart funding, it has accomplished this essentially by providing the counterpart funds itself. The other side of this coin is that the government of Senegal is less committed to Canadian projects than if it had to find its own resources to cover part of the project costs. Indeed, this is the whole rationale for local counterpart funding and the existence of the fund essentially defeats this. It is, therefore, not surprising that many Canadian projects encounter sustainability problems once funding is withdrawn.

Another critical factor is that the existence of the Counterpart Fund sets up a decision-making mechanism in the government of Senegal which is quite separate from the main planning process and the PTIP system. As well as being inefficient, this also weakens the integrity of the Senegalese government's planning framework. The very flexibility pointed to as an advantage above is also problematic in that the fund could be used by the government to circumvent its own project planning system.

6. THE AID RELATIONSHIP

In general terms, the aid relationship between Canada and Senegal has been good. It has been described by officials on both sides as open, friendly, and flexible. We saw in the last section the many mechanisms through which this aid relationship is built. As noted in section 3, the strength of this relationship has helped give Canada more influence with the government of Senegal than the relative size of its aid programme would warrant. There are several reasons for this positive relationship. Certainly, Canada has had a substantial aid programme to Senegal now for almost thirty years, longer than other bilateral donors, and before that a presence through Canadian religious organisations. Canada has a proven track record in Senegal for its aid projects, many of which have had lasting impacts (e.g., protection and surveillance of fisheries, dune fixing projects, small fishing boat motorisation, etc.).

Another helpful factor has been what Canada is not. Specifically Canada is not—and does not posses the attitude of—a superpower like the United States. Nor is Canada a former colonial power, like France or Great Britain whose underlying interests are regarded with more suspicion. Moreover, Canada is a country where French is recognised as one official language and this has sometimes provided Senegal with a much appreciated alternative source of support to France in areas such as education and technical consulting (Clark, 1991:30). Indeed, over the years many Senegalese, some of whom now occupy important positions of responsibility, have received advanced training and university degrees in Canada. A more subtle explanation of the good donor/recipient relationship with Canada might also be found in the fact that Canadian aid workers in Senegal, most of them from Quebec, are more sensitive to issues of survival of culture and language—issues that are also important to most Senegalese.

It should be pointed out, however, that Canada's presence in Senegal and Senegal's enduring position as a leading recipient of Canadian aid are not completely based on altruism. Canada, has been involved in francophone Africa in part to balance its longer-standing presence in anglophone Africa, and thus to validate official policy of bilingualism. Senegal is a key member of the *francophonie*, an organisation the Canadian government is keen to support as a balance to its membership of the Commonwealth. As well, Senegal, not a small power within Africa on foreign affairs, has over the years been an important ally in helping to garner support for Canada in other international forums, especially the United Nations.

While the underlying relationship between Canada and Senegal is healthy, it has certain tensions. Senegal is, of course, quite concerned with the recent significant downturn in the Canadian aid programme. Canada, along with other bilateral donors, is disappointed with Senegal's limited economic development, given the considerable amount of aid invested. Especially with the recent moves towards democracy in other African countries, there is a feeling that Senegal is losing its special status among donors and that aid might be more effective elsewhere—perhaps where there is a more rigorous system of aid management. For Canada, Mali, for instance, is seen as an attractive alternative in the region and this is borne out by recent data on Canadian aid flows.

One of the critical aspects of all relationships is the extent to which each party feels free to maintain its own identity within that relationship. For the aid relationship, this is also true and discussion of this theme has recently been quite active and has centred on the concept of ownership.

6.1 Ownership

Ownership, a concept now familiar in aid literature, essentially concerns the amount of control the recipient government is able to exert over its policies as well as the aid projects carried out on its territory—in short, it is about the recipient in the relationship maintaining identity. It is felt that the more ownership a government can exert over its policy and aid agenda, the more likely it will be committed to the policy or project and the more likely it is that the project or policy will succeed.[1] In Africa, it has been argued that the relative lack of success of aid programmes and, more recently, structural adjustment policies was, in no small part, due to the fact that both have tended to be imposed from the outside rather than developed within the country. Thus, even if a policy or project is considered by the donor to be "good", if there is no government ownership of it it will likely not be properly or efficiently implemented and could well become a "bad" project in terms of outcome.

In Senegal, the ownership argument has many supporters. Certainly the entire structural adjustment process and programme is a case in point. It has been perceived by the Senegalese people as well as many Senegalese government officials as being imposed from the outside. It is, therefore, not a coincidence that many adjustment policies in Senegal, from the reduction of the civil service, to privatisation, to the reform of the labour code, have stalled and taken years to implement. When these measures have finally been established, it is often one a half-hearted basis at best and usually only after a showdown with the donor community.[2]

The ownership issue is also relevant to individual aid projects and strategies. For Canada, we have already seen that aid policies tend to be driven from the top and, therefore, can be out of step with recipient priorities. However, at the project level, Canada has made progress. Many bilateral projects are at least initially identified by the government of Senegal. Even those projects identified by other development actors, by CIDA itself, or through joint programming missions with Senegal, must at some point be approved by the government of Senegal. CIDA policy is that consistency with the recipient government's own priorities must be a key criterion for any project. Senegal would, therefore, find it difficult to suggest that any Canadian bilateral project has been imposed on it.

On the other hand, this partnership between donor and recipient tends to break down during the phase following project identification, that is in project elaboration and implementation. Senegal may be able to produce a project request, but the technical elaboration of this project in a form that suits CIDA is

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1. This has been so important an issue to the World Bank, for instance, the story goes that one exasperated World Bank resident representative in an African country was heard to say to a visiting consultant,: "You know we just can't get the government to take ownership of *our* policies".

2. For structural adjustment policies, this lack of ownership is not surprising given that the policies can involve considerable short-term pain especially for Senegal's elite, and given that the whole process is based on donors giving aid on the condition that certain policies are implemented. Indeed it is almost as structural adjustment programs are premised on a *lack* of ownership.

often beyond the capacity of the Senegalese government. This was certainly the case with respect to the fisheries surveillance and protection project (1983–93), where Senegal initially requested assistance from Canada in 1970. One of the many factors which delayed the implementation of this project was the inability of Senegal to assess exactly what sort of assistance it required. There is often a strong tendency for donors to step in with consultants once a project has been identified in order to elaborate the actual terms of reference and methodology. It is at this stage in the process that the question of ownership often arises.

The ownership issue and the breakdown in true partnership can also arise at the project implementation phase. The Canada/Senegal case study looked at several projects which illustrate this point. Particularly illustrative were two Canadian projects in the forestry sector: one to fix dunes and protect farmland on the northern coast and another to protect forests in the southern region of Kolda. Significantly, the dune fixing project, which was implemented by a government department, was more successful in reaching its objectives than was the forestry protection project, implemented jointly by a government department and a Canadian firm. The key point that the case study revealed was that the government-executed project—protecting farmland—was fully in line with the wishes of the project beneficiaries, while the forestry protection project was seen as restricting access to an income-generating resource without providing alternatives. Moreover, the latter project created two "classes" of civil servant, one paid by the project and the other paid from the Senegalese regular budget. This itself created differing levels of motivation and commitment to the project. The result was that the project, despite its intended environmental benefits, was neither "fully owned" by the beneficiary population nor the government of Senegal as represented by its civil servants.

6.2 Aid coordination

Other key aspects of the aid relationship are those between all donors and the government of Senegal. These relationships touch on another key issue in the aid effectiveness debate: aid coordination. In Senegal, aid coordination is especially important given the large number of major donors operating in the country.

The consensus in Senegal is that there is room for improvement in aid coordination. We have already seen that the PTIP system of aid project selection and planning is not working as it should be and that the government of Senegal has not strongly asserted itself as the principal coordinator of aid. Indeed this role has tended to be carried out by the World Bank, which chairs Senegal's Consultative Group of donors. In addition, there has always been some informal "self-selecting" aid co-ordination among donors as to which sectors they will each focus on (e.g., France on education and health, Canada on fisheries and forests, the US on agriculture). This sectoral coordination has, more recently, been further reinforced by the sectoral adjustment programmes in transport and agriculture, in which donors choose particular areas where they will provide assistance. Finally, incomplete as it is, the PTIP does at least provide a list as to what projects are being financed by whom and most donors are at least aware of what others are doing.

The drawbacks of limited aid coordination can be significant. Duplication and overlap of projects is the primary concern. For instance, in the Senegalese railway sector a multitude of donors (France, Italy, Canada) can result in incompatible technologies being used or simply hard to maintain and inefficient rolling stock The most common complaint heard from recipient governments, Senegal included, is the complexity and number and sometimes contradictory aid conditions imposed by each separate donor.

One might hesitate to argue, however, that perfect aid coordination is the most desirable goal if this were to mean that each and every donor operated in only certain sectors and certain geographic regions, especially if such allocation were dictated by a lead donor such as the World Bank, rather than Senegal. The government of Senegal realises that the current situation of differing aid conditions and differing donors willing to undertake projects at the same time in the same sector does offer the advantage of competition. Having donors compete against one another allows Senegal some room to play the donors off against one another, to have a variety of solutions and alternatives to choose from, and finally to select the best project from its own perspective.

7. CONCLUSIONS

While Canada is not one of the most influential donors in Senegal, it has over the years developed good relations with the government of Senegal and shown itself to be generally open to and flexible about to the development priorities of the country. However, this study has found that there is room for improvement on both sides.

From the Canadian side, aid policy for Senegal has too often been developed in a top-down manner where the government of Senegal is considered but one of the stakeholders involved in policy consultations. The *Fonds de contrepartie* has been a donor-recipient aid instrument which has been more equal on paper than in reality and the fact that it actually provides counterpart funding for Senegal undermines the very *raison d'être* of counterpart funding and threatens the long-term sustainability of Canadian aid projects. For its part, the *Commission mixte* has proven to be too formal a mechanism where "*tout ne se dit pas*". The more informal discussions undertaken by CIDA field officials during the elaboration of the recent planning framework for Senegal is a sign that the discussions between donor and recipient now have more substance.

From the Senegalese side, there is an urgent need for the planning and technical evaluation capacities of both the government's central ministries and the technical ministries to be reinforced, so that at least the projects included in Senegal's public investment programme will have been received some technical assessment. Without this capacity, the danger is that while Senegal's aid planning system seems rational and efficient in theory, in practice it is not working. Senegal also needs this reinforced technical capacity so that it can assert its ownership over its economic and investment policies and enforce aid coordination. Otherwise donors, including Canada, will be only too willing to fill this void, with the ultimate result being lack of recipient ownership and the undermining of the effectiveness and legitimacy of aid.

In the end if aid effectiveness in Africa is to be improved, both donors and aid recipients must recommit themselves to improving the quality of their relationship.

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Aid Effectiveness in Tanzania

With special reference to Danish aid[1]

Mboya Bagachwa and colleagues

1. INTRODUCTION

This paper is a summary of findings of the study on aid effectiveness in Tanzania which focused on Danish aid. The study, part of the Project on Aid Effectiveness in Africa coordinated by the Overseas Development Council (ODC), has been prompted by the mediocre economic performance in African countries, including Tanzania, in spite of increased aid. This gloomy picture, which arouses scepticism about aid effectiveness, defies the long-held hypothesis of growth models (e.g. the Harrod-Domar models) that economic development in developing countries could be propelled by foreign assistance. The collapse of this hypothesis has shifted attention to a new paradigm based on the reassessment of donor-recipient aid relations.

Donor-recipient aid relations, blended and sustained in the whole mechanism of aid delivery, involve the level of participation by each partner in aid management from the point of project/programme and policy conception through to the execution and termination. Past studies on aid effectiveness in Africa initiated by donors tended to focus on particular projects/programmes without regard to the intricacy of donor-recipient relations and the situation in recipient countries. The present study seeks to relate Denmark's and Tanzania's aid management capacities and donor-recipient relations to Danish aid effectiveness in Tanzania, and to indicate how that aid effectiveness can be improved. In this context, the effectiveness of Danish aid is assessed at three levels: first, the ability of aid to achieve its stated objectives of poverty alleviation and project/programme sustainability; second, the ability of aid to contribute to Tanzania's primary development objectives of economic self-reliance, reduction in aid dependence, and external debt management; and third, the ability of aid to relieve some long-term development constraints, i.e., enhancement of human and institutional capacities, fostering local ownership (participation of aid bene-

1. This article is based on a larger study of the effectiveness of Danish aid to Tanzania. It was prepared by the late Dr. Bagachwa. The other team members were Godwin Mjema, Joseph Shitundu, all from the Economic Research Bureau of the University of Dar es Salaam, Herman Mutagwaba of NHC, and Samuel Wangwe, Economic and Social Research Foundation in Dar es Salaam.

ficiaries in identification, design, implementation, and evaluation of aid programmes), and improvement in social and economic infrastructure. A caveat is that aid effectiveness in Tanzania is inferred partly from overall aid performance, and partly from the performance of individual Danish-supported projects and programmes.

This paper contains ten major sections including the introduction. Section 2 highlights the macroeconomic situation in Tanzania in which aid is deployed. Section 3 gives an overview of the evolution of aid to Tanzania. Sections 4 and 5 respectively illuminate the nature of Tanzania's and Denmark's aid management. In Section 6, Tanzania-Danish aid relations are delineated. Section 7 dwells on aid coordination between the partnership and among donors. Section 8 offers an insight into local ownership of aid efforts and the development agenda. Section 9 provides some recommendations on improving aid management and donor-recipient relations. Section 10 contains concluding remarks.

2. MACROECONOMIC SITUATION IN TANZANIA

Post-Independence Period (1961–66)

During the first five post-independence years, Tanzania pursued a partly World Bank inspired development strategy that sought to maximise economic growth and self-sufficiency. Emphasis was placed on private investment in productive activities and industrialisation through import substitution in a mixed but rather market-oriented economic environment. These strategies were to depend on foreign finance which, however, was not forthcoming.

Arusha Declaration Period (1967–80)

Tanzania adopted the Arusha Declaration (AD) in 1967 to guide its long-term social, economic, and political development course. The four tenets of the declaration were socialism, self-reliance, rural development, and economic growth. Socialism implied egalitarianism, provision of basic needs, and state ownership of the major means of production. Self-reliance meant reduction of dependence on external assistance and indigenous control of national resources. Rural development implied improving conditions in the rural areas that provided the livelihood to over 80 per cent of the population. Development meant the expansion of the public sector, as the private sector was perceived to be too weak to effect change.

The implementation of the AD involved nationalisation of strategic economic activities including manufacturing, commerce, mining, and construction. Internal and external trade were placed under monopolistic public companies and authorities and new investments were to be made in the public sector. Consequently, by the mid-1980s there were about 450 public enterprises in Tanzania accounting for about half the production in the manufacturing sector and two-thirds of the fixed assets (World Bank, 1987). In the agricultural sector, large-scale privately owned farms were nationalised. The marketing of major food and cash crops was handled by state agencies. Cooperatives were brought under government control and by the mid-1970s they were replaced by state authorities. Dispersed village households were grouped in Ujamaa (communal) villages during the late 1960s and 1970s, by force in some regions. In the social sector, the strategy involved free basic education, health, sanitation, and water services. Access to basic needs was ensured through regulation of investment planning, prices, foreign exchange, wages, and wholesale trade.

As part of Tanzania's development mainstream, the long-term (1975–95) Basic Industry Strategy (BIS) was adopted with an objective of effecting structural changes and self-reliance (Skarstein and Wangwe, 1986). Under BIS, emphasis was placed on production of capital goods for other industries. Implementation of this state-led and donor-supported strategy resulted the establishment of large-scale capital-intensive industries which relied heavily on imported inputs and sophisticated technology. There were three unfortunate consequences of BIS. First, the emphasis on BIS was at the expense of agriculture. Second, the strategy accentuated import-dependence of the industrial sector, which rose from 15.1 per cent in 1961 to 52 per cent in 1984 and 70 per cent in 1987 (World Bank, 1987). Third, the newly erected capacities were underutilised due to a shortage of imported inputs and the allocation of resources became increasingly skewed towards capital goods imports for new investments and away from recurrent expenditure (Wangwe, 1983). This imbalance was encouraged by the easy availability of project aid.

Tanzania's development strategies in the AD persuaded both bilateral and multilateral aid donors to support the country's development course. Social democratic governments of the North, including Denmark, regarded Tanzania's emphasis on economic growth with equity and rural development as congruent with their development culture. Even the World Bank under McNamara was lured into providing aid.

The above strategies afforded Tanzania an average of 5 per cent per annum growth between 1965 and 1975. There were also remarkable gains in the social sector in terms of increased literacy, school enrolment, life expectancy, and a decreased mortality rate.

Economic Crisis and Home-grown Reforms (1981–85)

The earlier economic and social gains could not be repeated after the mid-1970s. The macroeconomic framework started to buckle, leading to economic crisis up to the mid-1980s. The crisis manifested itself in declining real output; a fall in GDP growth from an average of 5.1 per cent pa during 1970–76 to 1.2 per cent pa during 1980–85; a drop in per capita income growth from 1.9 per cent pa to -1.0 per cent pa during the same period; unabated inflation, which reached 44 per cent in 1984; and rising external and international deficits. This situation is attributed to external and internal deficiencies. External factors relate to worsening international conditions, the 1978 war with Uganda, and the 1980s drought. Internal deficiencies are connected to weaknesses in economic management, specifically the neglect of agriculture, over-emphasis on large-scale and capital intensive industries, excessive expansion of the public sector, forced villagisation, and excessive state intervention in the economy. Some quarters attribute the crisis to unorthodox and over-ambitious AD development strategies (Shivji, 1992:45; Boesen et al., 1977; Rugumamu, 1994; and Bagachwa et al., 1992). The donor community must also shoulder part of the responsibility for the economic crisis that eventuated, based on its support of ambitious development strategies that could not be sustained by domestic institutional and resource capacities.

In the early 1980s, before Tanzania reached an accord with the IMF, home-grown attempts were made by the government of Tanzania (GOT) to reverse the economic decline. The first was the 1981–2 National Economic Survival Programme (NESP), which aimed at mobilising domestic resources. The second attempt was the 1982–5 Structural Adjustment Programme (SAP), which involved limited liberalisation of internal and external trade, agricultural marketing, budgetary and investments cuts, and limited devaluation. The measures in the two programmes were timid to stimulate the domestic economy or attract the sceptical donors and both failed. For example, only 35 per cent of the expected foreign assistance for SAP was forthcoming.

World Bank/IMF-inspired Economic Recovery Programmes

The magnitude and intensity of economic crisis, pressure from the donor community, and the failure of NESP and SAP, persuaded GOT to adopt the IMF/WB inspired Economic Recovery Programme (ERP) in 1986. The objective of ERP was gradual growth recovery in real income and output by redressing the macroeconomic framework. Economic stabilisation and structural adjustment measures undertaken included devaluation of the shilling; monetary restraint; reforming the foreign exchange allocation system via market forces; credit squeeze; trade deconfinement and price decontrol; liberalisation of agricultural marketing; parastatal reform; financial sector reform; and civil service reform.

These policy changes led to an agreement with the IMF for stand-by credit; World Bank support for the ERP; increased bilateral and multilateral aid; and debt rescheduling. During 1989–92, the Economic and Social Action Programme (ESAP) or ERP II was adopted with the aim of consolidating the ERP measures and mitigating the adverse social impact of reforms. In 1992, ESAP was replaced by a three year Rolling Plan and Forward Budget (RPFB) system. The RPFB seeks to hasten the pace of reform and realign the government with its basic role of maintaining law and order and providing basic social services.

The above donor-supported reforms have resulted in modest improvement in macroeconomic performance. Between 1986 and 1992, real GDP growth rate has averaged over 3.5 per cent per annum. The agricultural and especially the mining sectors have experienced buoyant growth. Trade and balance of payments have experienced an increase of 14 per cent in export value and imports have increased by 2.2 per cent during 1991–2. However, the balance of payments has remained distressed, deepening from USD 132 million in 1991–2 to USD 352 million in 1992–3. Moreover, since 1993 the official and parallel foreign exchange market have been unified. The budget deficit and inflation at over 20 per cent per year have remained uncontained. Donors have remained dissatisfied with not only the pace of economic reform, but also the level of economic management. The other side of these reforms is that donors, including the WB/IMF, have remained in control of Tanzania's development agenda and direction. As will be explained later, the dominance of donors in economic management has tended to influence GOT-donor relations, with Tanzania shying away from ownership of development programmes to the detriment of their sustainability and the overall effectiveness of aid efforts.

3. EVOLUTION OF AID FLOWS TO TANZANIA

The Trend of Aid Flows to Tanzania

Aid flows to Tanzania have mainly been influenced by the mainstream concerns of the international development community. This is evidenced by four distinct phases of aid flow. First, the aid expansion phase of the 1960s to early 1980s is paralleled by Tanzania's economic strategies as articulated in the AD. As already highlighted these strategies attracted widespread bilateral and multilateral donor support. During this period, annual external development assistance (ODA) increased by thirteen times from USD 51 million in 1970 to USD 650 million in 1980. Second was the aid contraction phase between 1980 and 1985. This period is marked by economic crisis; GOT's disagreement with WB/IMF over economic reform; and donors scepticism with NESP and SAP and the subsequent withholding of aid. During this period ODA dropped from USD 700 million in 1982 to USD 487 million in 1985. Third came the aid adjustment phase during 1986–92 following an accord between Tanzania and the IMF/WB on market-oriented reforms. During this period, donors increased aid flows by over 2.8 fold from USD 670 million in 1986 to a peak of USD 1,345 in 1992. Fourth came the consolidation phase of the 1990s. This phase is marked by donor aid fatigue, i.e., aid-giving is increasingly tied to performance in recipient countries. In Tanzania, ODA has steadily dropped from USD 1,345 million in 1992 to USD 895 million in 1994.

Tanzania has received aid from over 100 bilateral and multilateral donors spread over more than fifty countries. The principle donors in the 1990s include the UN (21 per cent), Norway (10.5 per cent), Sweden (9.8 per cent), Canada (6.9 per cent), Denmark (6.9 per cent), Finland (5.3 per cent), Germany (5.1 per cent), Italy (4.7 per cent), and Japan (4.4 per cent) (UNDP, 1992:34–7). China, which was one of the principle donors in the 1970s, has consistently dropped since the 1980s.

Composition and Sectoral Allocation of Aid in Tanzania

The composition of foreign aid to Tanzania has mirrored in tandem with the aid phases highlighted above. First, during the aid expansion phase of the 1960s to late 1970s, project aid was. Donors preferred project aid because it was easy to deploy and tie in to sources of procurement. Besides, it was a response to the development paradigm based on the Harrod-Domar model in which growth was taken to be a derivative of capital investment. Second, during the contraction phase of the first half of 1980s when the development direction of Tanzania was lost, aid was ad-hoc, and was disbursed as project and programme aid. Third, during the adjustment phase effective 1986, donors emphasis shifted to programme aid, which included commodity import support (CIS), open general licence (OGL), and debt relief. Fourth, during the consolidation phase in the 1990s, donors shifted towards sectoral aid. In this regard, donors are shifting from new capital investment to rehabilitation of existing projects and using simpler technologies to ease maintenance problems.

An assessment of the effectiveness of the above forms of aid reveals a number of issues. First, project aid has left behind a legacy of unsustainable and under-utilised capacities in the industrial and social sectors. Second, programme aid had a recognisable impact which has translated into GDP growth. This impact is explained by the fact that programme aid was directed at economic trouble spots such as capacity under-utilisation and balance of payments woes that followed the poor performance of project aid (Bol, 1995:6). Third, despite the recent shift towards sectoral aid, donors have remained project-oriented in their approach (Rugumamu, 1993:181). The implication of this is that, given Tanzania’s weak institutional capacity, donors still control aid management to the detriment of local ownership of aid efforts.

On the other hand, the sectoral orientation of aid has tended to follow shifts in aid composition. During the project aid era, the bulk of aid was directed at the agricultural and transport sectors. When the national development strategy shifted to BIS in the latter half of 1970s, aid was directed to industry. During the economic crisis of the late 1970s and the first half of 1980s, aid lost definite sectoral orientation. During the 1990s, aid has become increasingly oriented towards social sector and economic infrastructure as donors attempt to consolidate past aid efforts. This fact is reflected in the sectoral distribution of aid between 1989 and 1994 which has been as follows: economic infrastructure (25 per cent); economic management and development of public administration (20 per cent); agriculture (12 per cent); and social and human development (15 per cent). The share of the industrial sector has declined from 24.8 per cent in 1989 to 1.2 per cent in 1994.

Aid, Self-Reliance and Economic Performance in Tanzania

The above discussion shows that Tanzania has received large amounts of aid from many donors. However, the overriding objective of most donor aid policies to achieve economic self-reliance and poverty alleviation in the recipient country has remained unrealistic. While it is not easy to isolate the impact of aid on economic performance, because many intervening factors (Riddell, 1987), there is evidence that in Tanzania the contribution of aid to overall development goals has been sub-optimal.

As indicated above, Tanzanian economic growth has been unsteady despite massive aid flows. Moreover, contrary to the self-reliance principle, aid has tended not to be a temporary savings-investments remedy. For example, despite increased aid flows following the adoption of ERP since 1986, the savings-investment gap is still yawning. Some evidence indicates that, at best, the domestic savings ratio is stagnant at around 10 per cent per annum, and at worst it has systematically declined. Studies on aid in Tanzania by Bowles (1987) and Mjema (1994) validate Griffin and Enos's (1972) hypothesis that aid substitutes rather than complements domestic savings.

Overall, Tanzania has developed a near total dependence on aid despite the AD stance of self-reliance. The ODA/GDP ratio has increased from 5 per cent per annum during the 1970s to 57.3 per cent by 1992, with Tanzania ranking second to Mozambique in terms of aid dependence. Moreover, the 1991–2 and 1994–5 budgets have depended on external assistance to the extent of 70 per cent and 86.6 per cent respectively. This over-dependence on aid cannot be attributed to domestic resource constraints only, but also to the country's lack of explicit aid policy. As will be explained later, Tanzania's implicit aid policy has been to maximise aid resources from diversified sources. This tendency has been encouraged by ever softer aid terms which led GOT to imprudently embark on ambitions development programmes without regard to domestic absorptive capacity (Rugumamu, 1993). Related to the above, Tanzania's foreign debt has been unsustainable. The foreign debt to GDP ratio has increased from 57 per cent in 1980 to 268 per cent in 1992. Most of this debt was created in the 1970s and 1980s when the grant-to-loan ratio was 1:2, since when it has dropped to 1:1 (World Bank, 1990).

Tanzania, with a per capital income of USD 100 in 1991, was ranked second among the poorest nations. Other studies have confirmed that over 50 per cent of the population living mainly in rural areas, lived below the poverty line and 10 per cent lived in absolute poverty (Jazairy et al., 1992). The problem of poverty is worsening following the recent decline of the social sector and rising urban unemployment associated with structural adjustment and sluggish growth of the productive sectors.

These issues illustrate the fact that aid effectiveness in Tanzania has been less than expected. What has gone wrong is typified by the experience of donor-recipient aid management mechanisms and relations in the context of Danish aid to Tanzania. This is the concern of the subsequent sections.

4. AID MANAGEMENT IN TANZANIA

Tanzania's Aid Strategy

Despite the importance of aid, GOT has never designed an explicit strategy to guide the mobilisation and administration of external resources. Implicitly, aid has been guided by the goal of self-reliance and, in the past, the foreign policy of non-alignment. Initially, self-reliance meant reduction of external dependence, and later it came to mean the diversification of aid sources, ostensibly to avoid compromising Tanzania's independence (Coulson, 1982).

Although the 1967 AD did not provide an explicit policy, it put forward the criteria for seeking and accepting aid as follows:

- Aid must not endanger the independence to make key economic policies regarding the future of the society;
- Aid must be consistent with the policies of socialism and self-reliance, i.e., not a substitute for local efforts and initiatives;
- Aid must be within Tanzania's ability to repay loans.

The self-reliance and non-dependence principles, however, are not reflected in Tanzania's subsequent development strategies. The second Five Year Plan (1969–74); the BIS (1975–95); the Perspective Plan (1980–2000); NESP (1981–2); SAP (1982–5); ERP (1986–9; and ESAP (1989–93) all sought to maximise aid receipts and were devoid of criteria for effective utilisation of aid. This implies that lack of an explicit aid strategy had negative ramifications on aid management and its overall effectiveness, especially in areas of coordination and accountability. The lack of aid strategy, has also encouraged GOT to accept all sorts of aid without regard to its institutional and resources capacities.

Tanzania Aid Management Institutional Framework

The major institutions responsible for aid management are the planning commission (PC) and the ministry of finance (MOF). The PC is responsible for aid coordination, i.e., bringing together the government, parastatals, private sector, and donors. This role entails providing of a lead in establishing a policy agenda; initiating and stimulating dialogue on key issues; providing a development vision; and asserting technical leadership. PC is also responsible for monitoring and following up the use of foreign assistance funds.

MOF is responsible for short-term macroeconomic policies, fiscal and monetary management, and debt policies. MOF's department of external finance and debt management, established in 1974, oversees the disbursement of external assistance and negotiates with donors. Also through the 1974 Loans, Guarantees and Grants Act, MOF administers government's external borrowing. MOF further oversee the policies of the Bank of Tanzania (BOT).

There has been a mechanism through which aid is channelled. Before the mid-1980s, Tanzania had long-term plans (1964–1980 and 1980–2000) which guided the overall development agenda; five year plans and annual plans. Following the economic reforms, there has been ERP (1986–9), ESAP (1989–92), and currently the three year RPFB adopted after 1992.

Aid resources are also routed through the annual budget. Budgeting involves ministries, regions, and local government authorities which form the implementing agencies body. This body is responsible for preparing the revenue and expenditure estimates submitted to the central ministries, namely the MOF and PC. These two are responsible for supervising budgeting and consolidating the government accounts. The budget is then forwarded to the parliament for approval through the interministerial technical committee comprised by all principal secretaries and the cabinet.

Tanzania's Institutional and Operational Constraints

A number of key issues regarding aid effectiveness and Tanzania's institutional framework for dealing with aid come to the fore. First, while the roles of PC and MOF are clear, in practice their economic management is reduced to routine functions of budgeting the domestic and foreign resources as well as responding to unending expenditure queries from donors. Even this budgetary exercise is done by poorly motivated and overstretched staff and is not well managed. In some instances, sectoral ministries table proposals which are not part of their medium-term plans but being backed by foreign funding, are rarely rejected. Unconstrained by effective government regulation, public managers tended to negotiate aid and investment loans regardless of sound economic criteria (Coulson, 1982). This tendency has resulted in arbitrary investments and over-commitment (Rugumamu, 1994).

Second, previous five year plans have never been taken seriously inside or outside government since the 1980s (Van Arkadie, 1994). Consequently, it is doubtful that the RPFB will be taken seriously as the focus for medium-term economic decision-making by the government, and as a guide for policy formulation in sectoral ministries.

Third, Tanzania's aid management has been constrained by institutional deficiencies in sectoral ministries caused by low absorptive capacity. This problem is reflected in unrealistic development programmes that do not match institutional and domestic resource capacities, specifically because of the government's failure to provide counterpart funding and personnel. The problem is complicated further by the lack of a political constituency to demand accountability of aid resources.

The above deficiencies have encouraged donors to establish parallel aid mechanism or island projects with their own administrative structures. Such structures have exerted pressure on existing government machinery in two ways; by employing civil servants in these projects, or by demanding too much time from government officials. This has further eroded government capacity. Under these circumstances, the challenge to donors and GOT is to ensure that future aid deployment results in less intensive use of limited government administrative capacity and to explore whether aid allocations could be shifted in favour of capacity building.

5. DANISH AID MANAGEMENT

Danish Aid Strategy

Danish aid provision enjoys public and political support and, is influenced by three pressure groups, namely, foreign policy interests, philanthropic interests, and commercial/business interests. The balance of interests is maintained through a broad political consensus which ensures the stability and consistency of the aid constituency.

Danish aid strategy has evolved from the ad hoc during the 1950s and 1960s to an explicit strategy during the 1970s. Poverty alleviation in recipient countries has been a paramount objective of Danish aid policy. This fact is reflected in the 1971 Act No. 297 on Danish Development Cooperation, the 1982 Aid Report on Africa, the 1989–93 Plan of Action for Danish Development Assistance, and the 1992 Strategy for Danish Development Policy Towards the Year 2000.

As with other bilateral aid-providers, the Danish aid context has undergone fundamental shifts. These include a shift from project to programme aid when Denmark subscribed to WB/IMF-advocated reform policies; a shift from multilateral to bilateral aid; and more recently, a shift from programme to sectoral aid. In the latter shift, Denmark seeks to concentrate aid, which has resulted in a reduction of programme countries from sixty to twenty effective 1992. Despite these shifts, social development has continued to be stressed as a major principle towards poverty alleviation in recipient countries. Socially oriented issues, such as women in development (WID) and environmental preservation, have been emphasised.

Despite this emphasis on poverty alleviation, targeting the poor in recipient countries, including Tanzania, has remained difficult. Denmark has been targeting poor regions, poor countries, and poor segments of the population within countries. Apart from lack of proper mechanisms to reach the poor segments of the population, it seems that poverty alleviation has been made to overlap with Danish business interests. However, Denmark has remained a generous donor. This is reflected in the overall rise of ODA/GDP ratio from 0.15 per cent in the 1960s to 0.40 per cent in the 1970s and 0.95 per cent during 1990–1. By 1993, the ratio stood at 1.03 per cent.

Danish Aid Management and Aid Administration

Danish aid is administered through the ministry of foreign affairs, which is divided into the North and South groups. The Danish International Development Agency (DANIDA) falls under the latter group, and is responsible for aid to developing countries. DANIDA is supervised by the board of council on international development, the national audit commission, and ultimately by parliament. DANIDA operates mission field offices which are under the umbrella of embassies in programme countries. These offices provide a link between projects, countries, and head office in Copenhagen. The offices also assist host countries in the management of Danish-funded projects and programmes.

In improving the management of aid, Denmark, has taken a number of steps. First, in 1982 the Evaluation Unit—a DANIDA appendage—was established to provide feedback on the effectiveness of Danish aid. Evaluations have been important in reshaping Danish aid management, but there are noteworthy weaknesses. The unit is not free from DANIDA bias as it has no separate reference to either the board, the minister, or to political bodies. Also, evaluations are hastily undertaken with little participation by local experts.

Second, since 1989 Denmark has been pushing for greater decentralisation of aid management. This has aimed at entrusting more responsibility, autonomy, and tasks to embassies and mission offices as well as encouraging greater participation by aid recipients in the planning and execution of aid programmes. Third, since 1989 a new aid management system, involving country programming and multi-year planning has been adopted. Under this system, the recipient country's overall strategies regarding relevant economic and social aspects, needs, and priorities, as well as aid from other donors, are specified. The minister of foreign affairs submits an expenditure plan for the overall annual aid programme for a five year period (or multi-year programme) to parliament for approval.

DANIDA's Institutional and Operational Constraints

This institutional structure has a number of implications for overall aid effectiveness. First, although DANIDA is subject to external accountability through the surveillance of the parliamentary financial committee and national audit commission, as well as a critical public, it retains powers to influence the form and content of aid. For example, DANIDA can avert public attention through public propaganda, technical publications and withholding vital information.

Second, there are problems related to the composition of DANIDA's staff. There is a predominance of foreign policy staff in DANIDA, a fact which has helped to avert conflicts among interest groups and ensured the stability of the aid constituency. However, a high proportion of managers have backgrounds that emphasise case studies (engineers and lawyers). Consequently, more attention is placed on the administration of projects rather than programmes. Also, the small number of social scientists could constrain future programmes especially given the present emphasis on democracy, WID, and poverty alleviation. Similarly, the present preference for generalists and diplomats rather than specialists could lead to poor quality technical assistance personnel (TAP).

Third, DANIDA is chronically understaffed because staff increases lag behind increases in the aid budget (Olsen, 1994:9). There is, therefore, a danger of over-emphasising efficiency in aid disbursement at the expense of the institutional and absorptive capacities of the recipient country. Under-staffing could also lead to preference for large vertical programmes which require few Danish personnel. Since the 1970s, the staffing constraint has forced Denmark to concentrate on fewer countries (Hanak and Loft, 1991). This problem could lead to further concentration of aid on fewer sectors and regions.

Fourth, Denmark's aid-management decentralisation bid could enhance local participation in aid planning and execution, in this way promoting local ownership of aid efforts.

6. TANZANIA-DANISH AID RELATIONS

Tanzania–Danish Aid Attitudes

The Tanzania-Danish aid relations dating back to 1962 were blended and sustained in the above context. These relations, which have passed through four phases, are mainly explained by donor-recipient attitudes. During the first phase in the 1960s, Tanzania was selected among African countries for Danish support. During this phase, the volume of aid to Tanzania was still small, rising from USD 0.5 million in 1965 to USD 2.4 million. This was followed by the second phase of aid expansion during the 1970s. During this phase Danish aid to Tanzania more than tripled to reach USD 24 million in 1975 and USD 40 million by 1979. The two phases were characterised by amicable aid relations between the two partners. Danish support to Tanzania was motivated by the welfare development strategies of the 1967 AD and President Nyerere's social democratic stand, both considered to be congruent with Danish development culture.

In this way, Tanzania won the sympathy of the Danish philanthropic interest group resulting a Tanzania lobby in political circles. Since the 1970s, Denmark has supported those social and economic infrastructure sectors which tally with its poverty alleviation objective. These sectors and their respective share of aid include agriculture (30 per cent), industry (27 per cent) health (10 per cent), transport (5 per cent), water (4 per cent), education (3 per cent), technology, and energy.

The amicable relations during the 1960s and 1970s meant that, Denmark took a positive and laissez-faire attitude towards Tanzania in respect of aid management. Tanzania was entrusted with more aid decisions than was usually the case. The choice of location, design and implementation of aid project,; and aid funds utilisation were left to Tanzania. Moreover, Tanzania became a leading Danish aid recipient (Hanak and Loft, 1991), and aid took the form of a full grant even before the approval given by the Danish parliament in 1989.

Denmark's uncritical laissez—faire approach to Tanzania had some negative implications for aid effectiveness. The Tanzanian side initiated projects without full regard to heir feasibility, counterpart capacities, and proper termination plans, and simply on the strength of their objectives. Such projects have proved unsustainable. Examples of projects in which Tanzania couldn't meet counterpart obligations include the National Tree Project, the EPI Vaccination Programme (1980–8), and the electrification of Kondoa, Njombe, and Mufindi (1977–86). Projects for which termination of Danish assistance has been difficult include TRC Marine (1979 to date), Ruvuma and Iringa Water Scheme (1979–95), and Tanga Cement Factory.

The third phase, when Danish aid contracted, set in during the late 1970s and lasted to the mid-1980s. During this period, Denmark adopted an increasingly critical attitude towards Tanzania, accompanied by a drop in Danish aid from USD 40 million in 1982 to USD 32 million in 1984. The change of attitude was prompted by the mediocre economic performance of Tanzania despite increased bilateral and multilateral aid volumes. Denmark began to raise concerns about issues such as GOT's failure to fulfil counterpart obligations in a number of projects, the macroeconomic policy environment, the failure of aid to benefit the poor, accountability of project funds, use of force during villagisation, and dissolution of cooperatives. These concerns coincided with Tanzania's failure to reach agreement with the WB/IMF on economic reforms to which Denmark increasingly subscribed. Like other like-minded donors, Denmark did not initially press Tanzania to adopt reform policies. However, at the 1984 annual consultation meeting, Denmark made it clear to Tanzania that further aid was conditional on adopting the reform policies. Despite the change of attitude by Denmark, aid relations did not deteriorate too markedly as reflected by the slight drop in aid.

The fourth phase of aid adjustment began in 1986 when Tanzania adopted the WB/IFM inspired economic reforms. During this phase, Danish aid to Tanzania has increased from USD 55 million in 1986 to USD 95 million in 1992 giving a modest per annum average aid disbursement of USD 75 million. This phase has witnessed differences of opinion within Danish circles on continued support to Tanzania. Nevertheless, there is still much sympathy on grounds that there is a need to mitigate the social effects of economic reforms; on the belief that previous aid achievements should not be wasted, and that Tanzania's low absorptive capacity should be addressed; and the recognition that DANIDA is partly responsible for the poor performance of aid. Despite this sympathetic view, Denmark is still critical of Tanzania's economic performance and management. Besides, the influence of the Tanzania lobby has waned and since the early 1990s Tanzania has no longer been given special preference by Denmark. In other words, Tanzania is treated just like any other of the twenty programme countries.

The current Danish attitude on Tanzania is mirrored by a more general deterioration of Tanzania-donor relations. While Danish-Tanzanian aid relations have remained relatively amicable, the general donor perception is that there is little sense of local ownership of aid efforts and that there is a failure to exercise fiscal control. On the Tanzanian side, Denmark has remained an important donor. Consequently, Tanzania, unlike Kenya, has been willing to accept all sorts of aid from Denmark (Hanak and Loft, 1991).

The attitude of Tanzania to donors has been equally clear. It is claimed that donors are too demanding and impatient; that corruption is not out of hand; that donors have little trust of Tanzania, as reflected by their parallel aid administrations; that donors have excessive influence on the development agenda; and that donors' demands on the time and energy of economic managers is enormous.

In short, Tanzania-donor relations, including those with Denmark, have become increasingly unequal, and Tanzania has not been able to control or own its development agenda.

Tanzania-Danish Aid Dialogue

Danish aid policy mandates dialogue between Denmark and recipient countries on policy, priorities, and the management of aid. Tanzania and Denmark hold regular and annual consultations which involve officials of GOT, the DANIDA mission and head offices, project coordinators, and cooperating partners (ministries, parastatals, regional and local authorities). The purpose of these consultations is to review the progress of Danish-funded programmes, as well as to promote participation of aid beneficiaries in the aid deployment process. In recent years, Denmark has also encouraged dialogue with Tanzania in areas of sectoral and macroeconomic policy, as evidenced by the April, 1995 seminar on the criteria for identifying core sectors for Danish support.

Despite the amicability of Tanzania-Danish aid relations, the level of dialogue on aid policy, choice of priority areas, and aid management reflects the unequalness of these relations. There are two reasons for this. First, Danish aid policy is influenced by the condition that Denmark should concentrate on areas where it has interests, and where it is able to concert its efforts and/or has a competitive advantage (DANIDA, 1991:53). Also, aid policy is equally influenced by the international paradigm on development. As such, priorities of the recipient country are downplayed. Second, the resource asymmetry between the two partners compels Tanzania to bargain from a position of weakness. Denmark's technical and funding edge over Tanzania prompts it to take a lead in aid management. In these circumstances, aid policy, priorities, and budgets are very much donor-determined.

While Denmark has since 1984 been emphasizing dialogue on economic reform policies, paradoxically, Tanzania has been compelled donor pressure to adopt these policies virtually without negotiation. The intrusion of donors into aspects of policy-making in Tanzania has led to a pervasive decline in self-reliance and with it, a loss of self-confidence in the public sector (Van Arkadie, 1994). This has undermined the confidence of Tanzanian negotiators, as typified by their begging character and the way they present their case at annual consultations. The minutes of these consultations contain a survey of economic teething problems; outlines for bold measures to overcome them; and apologies and promises on unfulfilled obligations. The presentations are devoid of conditions for accepting aid. On the other hand, the head of the donor delegation (such as DANIDA) starts by outlining guidelines for providing aid to Tanzania. The adverse effect of such unequal relations on local ownership and the sustainability of aid efforts and the development agenda in Tanzania, cannot be overemphasised.

Conditions on Danish Aid to Tanzania

Danish aid conditions are intended to serve three interests: to accommodate Denmark's commercial interests; ensure greater efficiency and effectiveness in aid deployment; and enhance Denmark's political interests. As such, conditions on Danish aid to Tanzania are apparent at procurement, policy, and political levels.

Procurement Conditions

Procurement conditions are associated with the business interest in aid. Prior to 1989, the Danish aid portfolio comprised tied and untied loans and grants. In response to the philanthropic interest group's concern about the extra cost of tied aid to recipients, it was resolved that tied aid be used for items in which Denmark is internationally competitive, provided that 25 per cent of total aid or 50 per cent of bilateral procurements are obtained from Denmark. There are also two unwritten rules on aid-tying in the Danish policy. First, any necessary hardware should preferably be purchased from Denmark. Second, technical assistance personnel (TAP) are generally limited to Denmark or at most Scandinavia. The tying of Danish aid to sources of procurement has become more pervasive since the introduction of programme assistance in 1979.

Two issues concerning Danish aid-tying are noteworthy. First, contrary to the principle of the development assistance committee (DAC) of OECD on tied aid, Denmark has not generally subjected its aid supplies to Tanzania to international bidding. Second, although Denmark is no longer stipulating the tying of 50 per cent of bilateral aid, in reality during the 1980s 70 per cent of aid to Tanzania was sourced from Denmark. Presently, 35 per cent of Danish aid procurements to Tanzania are sourced from Denmark.

Much debate on procurement conditions centres on the extra costs or the distortions caused by aid tying for recipients. The first distortion relates to the procurement of inappropriate items in a number Danish-funded projects. These include electrical items incompatible with the British standard used in Tanzania and, supplied under the School Maintenance Project in 1982; and the DKK 120 million of inferior steel imported for the National Steel Corporation (NSC) in 1986. The second distortion arises from the procurement of expensive items. Examples to this include DKK 163 million worth TSP fertilisers imported in 1984; steel supplied to NSC; DKK 20 million worth of bicycles granted to the

Cooperative and Rural Development Bank (CRDB) in 1987; and equipment supplied to Tanzania Harbours Authority. The extra costs accruing to Tanzania compare with those for other countries which range from 10 per cent to 30 per cent (Riddell, 1982:209). Another extra cost is the time overruns experienced during phase one of the Division of Veterinary Science at Morogoro (1979–85) as a result of DANIDA's preference for Danish items, even if non-Danish ones were recommended.

The tying of technical assistance (TA) is the commonest procurement condition. Mostly, Danish technical assistance to Tanzania comes as part of the project/programme. A bigger portion of TA is TAP, usually a highly disproportionate element of the project (Baregu, 1988:36, 43). For example, there is unequal access to resources between TAP and local experts, and remuneration disparity-ratios can be as high as 1:100 in favour of TAP. Besides, while TAP has been effective in operational positions, it has been less effective in transferring skills and in contributing to capacity building. In fact there is no mechanism to turn TAP in this direction and donors are not inclined to fund local training at the expense of particular projects. These weaknesses threaten the sustainability of aid efforts. The third distortion is associated with the adoption of inappropriate technology. This is evidenced by Denmark's delivery of diffusion technology for the sugar industry, despite the fact that vacuum-pan and open-pan sulphitation technologies were more suitable. The diffusion technique has a very low tolerance for unsteady production such as occurs in Tanzania, hence its poor performance (Hanak and Loft, 1991; NDC 1994).

The positive side of aid tying, however, is that it guarantees sources of aid resources for the recipient and ensures bilateral trade between the partners.

Policy Conditions

The tying of aid on the conditions of economic reform policies is a recent phenomenon which has gained prominence in the 1980s, following WB/IMFs assumption of the role of "approver" of bilateral and multilateral aid. Initially, Denmark was unwilling to tie its aid to this condition on grounds that SAP was biased against the social sector. Denmark's subscription to the condition was accompanied by encouragement to the WB that it accommodate the social dimensions of adjustment by addressing the fate of poor and vulnerable social groups and by ensuring the timely availability of external resources to countries implementing SAP (DANIDA, 1989:23).

Although Denmark has never withheld aid to Tanzania on grounds of non-compliance with reform policies, its interventions have increasingly shifted in this direction. This is evidenced by Denmark's concern about the pace of reform and about economic management in Tanzania.

Political Conditions

Politics in aid are as old as aid itself. During the Cold War era the decisive element in aid provision was whether the country was on "our" political side or on the “other” side (Singer 1994:15). Denmark’s aid thrust to Tanzania was partly based on this philosophy, as the latter was regarded as a social democratic country by the Danish leftist governments. The Tanzania lobby in Danish politics grew up in this context. In the aftermath of the Cold War, three important factors have surfaced. First, the influence of the Tanzania lobby in Danish politics has waned. Second, the WB/IMF have gained a leading role in the disbursement of bilateral and multilateral aid, in their capacity as providers of the “seal of approval”. In this way they have created a political condition for aid. Third, political conditions on aid have taken new dimensions by relating human rights, democracy, and good governance to economic governance in recipient countries. While Denmark stresses the new dimensions of the political conditions, there is no hard evidence to indicate that its aid flows to Tanzania are influenced by it. This could be attributed to the fact that Tanzania does not have a bad human rights record, according to Amnesty International. However, Denmark has been interested in political developments in Tanzania, as evidenced by its funding of the first multiparty elections in October 1995.

Aid procurement, policy, and political conditions as applied to Tanzania, indicate that they are characterised by asymmetrical relations. Conditions are in fact more donor-driven than a product of dialogue between donor and recipient. Consequently, there is a tendency for Tanzania to implement these conditions reluctantly, with a low level of commitment and mainly out of fear of aid withdrawal. This limits confidence in economic reforms and democratisation, as well as local ownership of the development agenda, to the detriment of greater aid effectiveness.

Accountability and Transparency of Aid

Aid accountability and transparency are important aspects of aid management and donor-recipient relations. Despite their importance, they were not pursued by donors and recipient until the 1990s. This is due to the donors’ political, commercial, and employment interests, which took precedence over effective aid management. However, following the non-performance of aid in recipient countries since the 1980s, donor agencies have come under pressure at home to account for the use of aid resources. Consequently, accountability and transparency are being taken as issues binding on aid recipients, rather than donors.

In Tanzania, institutions responsible for aid accountability are the MoF, PC, and BoT. In Denmark, DANIDA is responsible for accountability, which is facilitated by the evaluation unit through the provision of feedback on aid projects and programmes.

To a great extent, aid accountability and transparency in Tanzania are lacking. A number of factors account for this. First is the scattered nature of institutional agencies dealing with aid, i.e., MoF, PC, BoT, and line ministries. This makes the reporting and coordination of aid difficult as is reflected in the divergent aid information provided by each of these institutions, as well as the incomplete records. Second is the weak institutional capacity within government, especially the lack of effective aid-evaluation mechanisms, shortages of qualified personnel, and lack of modern working tools. This leads to poor record keeping, reporting, and auditing. Third is the lack of a strong political constituency that obliges government to be accountable. Fourth are the ill-defined responsibilities of the GOT and donors, as a result of the dominant control of aid management by the latter through parallel aid administrations. Also the direct-to-project (D-funding) system adopted by donors to circumvent Tanzania's institutional weaknesses, means that much aid information on expenditures and commitments escapes the government accounting and budgetary systems. Fifth, donors are not sufficiently held, or do not feel the need to be accountable to the recipient. These anomalies erode local ownership of aid programmes. As such, it is unjust to hold the GOT exclusively accountable for aid effectiveness.

7. AID COORDINATION

Aid coordination involves mutual participation by recipient, donors, and other agencies in aid delivery. Before the 1980s aid coordination was not pursued by either donors or recipients. The emphasis on aid coordination came in the wake of the unimpressive performance of aid in most recipient countries. The need for aid coordination in Tanzania arises from the need for greater aid effectiveness and the need to ensure consistency and compatibility of aid resources from over one hundred diverse bilateral and multilateral donors and NGOs. In Tanzania, aid coordination falls into three categories:

Intra-Government Aid Coordination

The institutional framework through which aid is coordinated within GOT has been highlighted in section 5 above. The formal procedure by which ODA is coordinated is vested in MOF and PC. However, intra-government aid coordination has been sub-optimal and is presently weakest with regard to the aid management process, i.e., government mandate, leadership, and accountability. This problem is mainly attributed to weak administrative capacity within GOT which leads to overburdening of a handful of key officials (World Bank, 1990; NDC, 1994). This shortcoming is reflected in the hasty compilation and poor quality of sectoral plans and public sector investment programmes. Besides, decision-makers have little time to evaluate the quality of aid and determine priorities so that in most cases aid information and data are poorly presented. Such inadequacies are significant to aid effectiveness as the overall management of aid in Tanzania is greatly hampered.

Government-Donor Aid Coordination

Government-donor aid coordination in Tanzania has fallen under the auspices of UNDP since 1987. Previously, such coordination was bilateral as GOT preferred to deal with donors individually rather than as a group. Presently, there are monthly technical meetings and quarterly joint government/donors meetings. Government departments also hold regular bilateral consultations with donors. However, because of the large number of donors and the diversity of aid procedures and programmes, GOT officials are normally overstretched in dealing with consultative meetings. The problem is complicated by a lack of sectoral strategies to bring together all participating donors. Perhaps one of the more effective forms of government-donor aid coordination is the annual consultative group meetings held under the joint auspices of the WB and GOT since 1985.

In respect of aid coordination between the GOT and Denmark, there are regular and annual consultations. As earlier explained, the purpose of these consultations is to monitor the effectiveness of Danish aid to Tanzania. At project or programme levels, coordination is pursued by DANIDA mission office, participating ministries, departments, or parastatals, and PC and MOF. However, Danish-funded projects and programmes in the past were beset by coordination flaws because of poor planning. These flaws were evident in the operational mechanisms and the underestimation of counterpart capacities, which tended to limit project effectiveness. Besides, DANIDA has encouraged the tendency of negotiating directly with project originators, such as districts, and informing the PC only after the event. In this way, established coordination institutions are bypassed and there is always the danger of haphazard aid deployment.

The UNDP project on aid management and aid coordination (AMAC), is aimed at addressing coordination weaknesses, which include aid data, aid management information systems (AMIS), and streamlining and rationalising coordination. Also, if sectoral strategies are established, it will be useful to have semi-annual and annual sectoral consultations rather than the present bilateral consultations.

Inter-Donor Aid Coordination in Tanzania

Inter-donor aid coordination in Tanzania started in the 1970s under the auspices of UNDP and the WB resident mission. Coordination of bilateral and multilateral aid gained prominence in the 1980s, after donors realised the need for greater aid effectiveness. Other forms of inter-donor coordination include the OECD-DAC and European Union (EU) donor monthly meetings; NORDIC countries; the Paris Club on debt repayments; and ad hoc donor meetings on specific themes.

Denmark has drawn closer to other donors in Tanzania following its subscription to WB/IMF reform policies. As such, the DANIDA mission takes part in coordinating activities involving the entire donor community and smaller groups dealing with sectoral issues (DANIDA, 1989:7). For example, in the 1980s Denmark participated in donor conferences on the fertiliser programme to ensure efficient delivery of fertilisers. These conferences were organised by the ministry of agriculture and FAO (DANIDA, 1989:17). In the inter-donor configuration, Denmark seeks aid policy coherence and co-financing among donors. However, these aspects are still poorly entrenched due to donors' commercial self-interest and ideological differences. In fact, inter-donor coordination is more pronounced at the level of consensus on economic reform policies than in the actual implementation of programmes. Moreover, effective exchange of information on ongoing and planned activities among donors is still lacking .

While GOT is supposed to take a lead in inter-donor coordination, its position is eroded by its weak administrative capacity. This encourages donors to bypass the central government in favour of NGOs in respect of aid deployment. Ultimately, aid efforts are not coordinated. Also, Tanzania lacks complementing sectoral strategies and policies and a conducive macroeconomic environment through which aid can be channelled. Overall, the demand for greater inter-donor aid coordination in Tanzania by both recipients and donors is gradually gathering momentum.

8. GOVERNMENT OWNERSHIP OF AID PROJECTS/PROGRAMMES AND THE DEVELOPMENT AGENDA

The question of local ownership of aid efforts features prominently in this paper since it is a key indicator of the state of donor-recipient relations and aid effectiveness. The extent to which aid projects/programmes reflect local goals and priorities indicates the degree of local ownership. Important is the extent to which aid beneficiaries perceive that they have been involved in the design, formulation, and execution of development project/programmes and policies.

Having tried to implement the two home-grown recovery programmes of NESP (1981–2) and SAP (1982–5) without success and without adequate donor support, Tanzania has been inclined, especially since 1986, to accommodate WB/IMF and donor positions in its economic policies. This inclination is reinforced by the perception that disagreement with IMF/WB would induce withdrawal of support not only by these institutions but also by other donors. This perception has tended to influence relations between Tanzania and donors, with Tanzania shying away from ownership of the development agenda. In 1986, when Tanzania adopted the WB/IMF-inspired economic reforms, its relations with the donor community improved, as evidenced by the resumption of aid flows. Since then, however, local ownership of development policy has been low. Initiatives in macroeconomic policy and management, sectoral development, and democratisation, have been taken over by the WB/IMF.

Most policy studies and sectoral policy formulations have been initiated by donors. At the project level, the decline in administrative capacity of the public sector and the perceived rise in corruption have encouraged donors to establish parallel administrative structures. In this way, local ownership of aid efforts has been further undermined.

The growing aid over-dependence since the economic crisis period has meant that initiatives in policy dialogue and the formulation of solutions to Tanzania's economic problems have shifted markedly into the hands of donors. Mostly, discussions on key policy issues are initiated by donors and studies are initiated, commissioned, financed and implemented by them. This lead has afforded donors an opportunity to put greater pressure on Tanzania. Besides, donor country programmes, aid policy, and strategies are formulated with little involvement by the recipient country. With regard to consultations, donors have discretion to consult with the recipient. Consequently, donor-recipient relations in Tanzania have been largely unequal to the detriment of local ownership of aid efforts. So long as donors take over responsibility for policy decisions and the political direction of the country, GOT should not be held accountable (Van Arkadie, 1994). Accountability implies policy ownership and control of the development agenda. It is, therefore, imperative that aid projects/programmes proposals originate with the recipient if greater aid effectiveness is to be achieved.

9. TOWARDS IMPROVING AID EFFECTIVENESS IN TANZANIA

Below are recommendations drawn from the experience of aid in Tanzania. They are geared towards improving aid management and donor-recipient relations for greater aid effectiveness. These recommendations are not restricted to Tanzania and Denmark, but also apply to the entire donor community, including WB/IMF.

Recommendations on Improving Aid Management

– Aid Strategy: Tanzania should draw up an aid strategy within the national development agenda framework. The strategy should focus on utilisation of aid, with clear development objectives, priorities, sectoral strategies, counterpart capacity levels, and constraints. The thrust should be on mobilisation of domestic resources in order to reduce dependence i.e., aid must be a stop gap measure.

- Institutional Capacity Building: Instead of parallel donor administrative systems, as a prerequisite to local ownership and accountability, aid should be directed at enhancing Tanzania's institutional capacity. This should entail improving economic management especially, but also planning, budgeting, accountancy management, aid-management information systems, higher education, public sector administration, and local working environments. This certainly requires a national framework to guide capacity building.
- Technical Assistance (TA): TA should be transparent, i.e.; donors should clearly stipulate the operational functions of TAP and these should be agreed by the recipient and donor. The thrust should be on TAP enhancing capacity if aid efforts are to be sustainable. The TAP should also not be deployed outside the established system and should be made accountable to the recipient. This implies that TAP should be paid out of the recipient's budget. In effect, TA should be completely untied.
- Aid Coordination: Tanzania should take a lead in developing a framework through which aid is coordinated. The framework should entail sectoral strategies to ensure consistency and compatibility of donor activities. The indispensability of exchanging information on ongoing and planned activities among donors, and between donor and recipient, cannot be overemphasised. The present practice pursued by Denmark decentralisation, participation by the recipient, and the use of non-state actors, e.g., NGOs, in aid management is worth emulating by other donors for the enhancement of local ownership of aid programmes/projects.
- Aid Conditions: The procurement, policy, and political conditions should be negotiated between donors and the recipient. Such negotiations will restore Tanzania's lost self-confidence as well as the sustainability and local ownership of the development agenda. Besides, conditions should be geared improving management efficiency of aid rather than serving donor interests.
- Economic Management: Tanzania should strive to establish a stable macroeconomic environment through sustainable fiscal and monetary policies for greater effectiveness of aid. This should involve wholeheartedly implementing economic reforms to complemented aid resources. GOT should formulate realistic budgets, make respectable revenue and expenditure projections, improve budgetary control, and adopt monetary restrain.

Recommendations on Improving Donor-Recipient Relations

Role of donors

- Donors should involve recipients in preparing aid policies and strategies as well as country programmes. In this endeavour, donors should learn to appreciate the recipient's development goals, priorities, and constraints in order to ensure that aid reaches its targets.
- Donors should show greater willingness to devolve responsibilities from the centre to field offices. Field offices should be given greater autonomy in decision-making, in consideration of the realities in the field.
- Donors wish to speed-up the implementation of aid projects/programmes to show quickly results. This is sometimes done at the expense of local ownership of such aid efforts. Donors should place greater weight on facilitating local ownership and sustainability (even if this results in disbursing less aid or prolonging the project).
- Donors should be transparent as regards the recipient in areas of TA and D-funding in order to improve aid accountability.
- As the process of planning is riddled by uncertainties about resource commitments, especially from donors, donors should provide information on resource commitments, including D-funds, over a period of say, three to five years. This would boost Tanzania's confidence in planning for and programming donor-involved projects.

Role of recipient

- GOT should embark on an anti-corruption campaign and enforce anti-corruption measures, increase the transparency of the budget, redress arrears in unpaid CIS and OGL cash covers, and take action on malpractices in tax exemptions and tax evasion.
- GOT should enhance the ownership of the policy and development agendas. This could be achieved by ensuring that the first draft of the policy framework paper for negotiation with the WB/IMF and other donors is prepared by Tanzania.
- GOT should design effective programmes to mobilise domestic resources.
- GOT should enhance local participation in development through civil service reforms, improving the working environment, and decentralising decision-making to local government and community levels.

10. CONCLUSION

The experience of Danish aid to Tanzania offers an insight into donor-recipient aid management flaws and relations which have adversely affected aid effectiveness. Aid effectiveness in the context of the Danish aid objective of poverty alleviation and of Tanzania's development objectives of achieving sustained economic self-reliance, mobilising domestic resources, reducing aid dependence, and achieving sustainability of external debts, is still elusive. This deficiency should be viewed in the context of overall aid flows, which have amounted to a substantial USD 13.43 billion between 1970 and 1992.

In respect of aid management, Tanzania has been constrained by weak institutional capacity and the absence of an explicit aid strategy, resulting in aid not being properly integrated into the development agenda.

These weaknesses had negative ramifications for Tanzania's absorptive capacity, as evidenced by ambitious strategies, unrealistic plans, and counterpart over-commitments on one hand, and weak aid coordination and accountability on the other. This low absorptive capacity has encouraged donors to establish parallel aid administrative systems, rather than addressing weaknesses in institutional capacity. Absence of aid effectiveness has necessitated fundamental changes in the Danish aid context and strategy. In recent years, Denmark has been pushing for greater decentralisation of, and participation by recipients in aid management, greater aid policy coherence and co-financing among donors, and greater aid concentration. Tanzania-Danish relations have changed from amicable and uncritical in the 1960s and 1970s to critical but less tense in the aftermath of the mediocre economic performance and the resultant crisis in the late 1970s. Overall Tanzania-donor relations, however, have become more unequal following Tanzania's adoption of WB/IMF-advocated economic reforms, to which Denmark subscribes. Tanzania has lost self-confidence and a sense of local ownership of aid programmes and the development agenda. The weakened self-confidence arises from the perception that disagreement with WB/IMF could result in aid withdrawal by donors and is accentuated by the country's over-dependence on aid.

In the wake of donor fatigue, it is imperative that Tanzania develop an aid strategy as a part of its national development agenda towards which aid can be channelled. The objectives of this strategy should be to gradually liquidate aid over-dependence and to effectively mobilise domestic resources for sustainable growth. As a prerequisite, local capacity building should be paramount. These efforts will require not only donor support but also commitment by Tanzania to develop a stable macroeconomic framework through fiscal control, monetary restraint, and effective economic management in order to complement aid efforts and restore donor trust. Donors including WB/IMF should appreciate Tanzania's development objectives, priorities, and constraints through a dialogue to restorate confidence in local ownership of the aid programme and development agenda. The crux of the issue is that it will require efforts commitment, and compromise by both Tanzania and the donor community to improve aid effectiveness.

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The Effectiveness of the Aid Relationship in Zambia

Jerker Carlsson[1]

1. INTRODUCTION

In the development debate, a number of explanations seem to surface repeatedly as to why aid does not work as effectively as it should.

It has been pointed out that the host country has often been marginally involved in the early planning and design of a project. Donor priorities have tended to dominate and they have, furthermore, been erratic and inconsistent with recipient priorities. The host country's institutions, responsible for implementing aid interventions have had difficulty in performing their tasks, owing to political, administrative, and human resource limitations. Both donors and host countries have not paid enough attention to the impact of aid, and sustainability considerations have not been sufficiently addressed by either donor or recipient in designing aid projects. A constant issue in the development debate over the years has been the lack of coordination of aid flows, which is believed to have caused duplication of effort and undue pressure on the host country's resources. Finally, donors have consistently stepped up the conditions attached to aid, which has left much less room for dialogue and thereby reduced the effectiveness of aid.

What emerges from of these issues is the primacy of the aid relationship as a major determinant of aid effectiveness.

2. ECONOMIC AND POLITICAL CONTEXT

At the end of the 1980s, after almost thirty years of copper-financed inward-looking development under one party rule, Zambia reached the end of the road.[2]

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1. This article is based on: Saasa, O. & Carlsson, J, 1996, *The Aid Relationship in Zambia. A Conflict Scenario*. Uppsala: Nordic Africa Institute. Uppsala.

2. This section draws on data from the following sources:
IBRD, 1996, *Zambia. Country Assistance Review*. Report, no. 15675, Operations Evaluation Department. Washington D.C.

Per capita income in Zambia reached its peak in 1974. From that year until 1990, per capita income fell by 4.8 per cent annually. In 1992 it stood at USD 450. This represents one of the worst records of economic decline of any country not at war. Heavy external borrowing, used fundamentally to prop up public spending and private consumption in the face of falling production, resulted in a debt stock of USD 7 billion and a debt service ratio (before rescheduling) of 64 per cent in 1990. In 1992–94, debt servicing required an average of 58 per cent of export earnings.

Zambia's decline was the result of two factors: decreased copper earnings and policy. During the first decade after independence, copper mining accounted for one-third of GDP and 80 per cent of export earnings. These earnings, combined with strong protection and wide-ranging nationalisation, were to turn Zambia into a broadly based industrial economy. The policy tools used were high tariff barriers and pervasive controls over most business activities, including foreign exchange allocations for imports. Agriculture was generally neglected.

However, copper earnings dropped from USD 3.4 billion in 1974 to USD 725 million in 1994. The inward-looking, state-dominated industrialisation strategy created a bloated and inefficient, loss-making parastatal sector and a lethargic private sector mostly satisfied with producing for the captive domestic market.

After the change of government in 1991, the economic framework shifted dramatically. As in so many other distressed African countries, a reform has been driven by an IMF-sponsored structural adjustment programme. All prices have been liberalised, while the exchange rate and the allocation of foreign exchange are now market-determined. Import tariffs have be reduced and export controls lifted. An ambitious privatisation programme has been started and has achieved impressive results. In macroeconomic terms, the results from SAP have so far been disappointing. GDP in constant prices was lower in 1995 than in 1990, and thus also per capita consumption. By 1995, the total land area cultivated had declined by more than 15 per cent from the 1985–90 average. By 1994, the volume of manufacturing was 6 per cent below the 1991 level. Stabilisation has been difficult to achieve, and this has been one of the factors behind the poor performance of the economy.

To some extent, a slump in the economy is to be expected during a transition period. After all, the objective of the reforms is to restructure the economy to better match its fundamental comparative advantages. Structural reform, that is, moving to a market economy implies letting loose the forces of "creative destruction". The problem in Zambia is that so far creation has not managed to keep pace with destruction.

IBRD, 1994, *Zambia. Poverty Assessment*. vol.1 and 2. Report, 12985-ZA, Southern Africa Department. Washington D.C.

3. AID FLOWS

Zambia has benefited significantly from external assistance. A combination of factors, both internal and external, caused Zambia to solicit increased externally generated development assistance, particularly after 1974. While aid flows to Zambia since the 1960s have steadily increased in current prices, the 1990s reflect a remarkably significant increase in external support to the country. It is noteworthy that bilateral assistance has been much more significant in external resources flows to Zambia than multilateral aid. At the bilateral level, the United Kingdom provided around 25 per cent of total bilateral receipts during the 1970s, making it the major bilateral donor during that period. The United States and Sweden followed with 15 per cent and 13 per cent respectively. Zambia's other major bilateral donors during the 1970s were West Germany, Japan, Canada, and Norway. The ranking of these countries in terms of importance during the 1980s changed. Over the 1980–91 period, it was Japan, followed by Germany then Sweden that constituted the major bilateral donors, with respective contributions of 14 per cent, 13 per cent and 12 per cent of total bilateral receipts. The Netherlands joined the list of Zambia's main bilateral donors during the 1980s and 1990s.

Table 1. *Total external flows to Zambia, 1988–91 (USD million)*

	1988	1989	1990	1991
Net ODA by DAC countries	407.4	314.2	408.9	582.8
Net ODA by multilateral agencies	70.8	60	72	301.4
Net ODA from all sources	478.2	374.2	480.9	884.1
Net OOF by DAC countries	12.4	19.6	47.2	33.1
Net OOF by multilateral agencies	34.3	16.2	18.8	-178.2
Net OOF from all sources	46.8	35.8	66	-145
Direct investments	0.9	37.6	-9.4	-0.3
Portfolio investments	-0.5	0.1	19.3	-6.8
Export credits	-40.9	121.6	-16	37.9
Net private sector flows	-40.5	159.2	-6.2	30.8
Total external flows	484.5	569.2	540.7	769.9

Source: OECD (1993), pp.296–7

Apart from ODA, Zambia also received other resource transfers. These flows include official export credits, official sector equity and portfolio investment, and debt reorganisation undertaken by the official sector on non-concessionary terms. These flows are classified in the Development Assistance Committee (DAC) statistics as "Other Official Flows" (OOF). Net OOF generally made a positive contribution during the 1988–91 period. Table 1 shows the total external flows (i.e., aid and other flows) to Zambia over the 1988–91 period.

A noteworthy phenomenon in Zambia is the ever increasing importance of grants in total external assistance. Except for the 1978 to 1982 period and during 1991, external assistance to Zambia in the form of grants has been more sig-

Table 2. *Grant element of external assistance to Zambia, 1988–91 (%)*

	1988	1989	1990	1991
Bilateral	94,6	97,2	99,1	69,7
Multilateral	92,7	98,6	96,8	84,4
Total	94,3	95,5	98,8	74

Source: OECD/DAC, various issues

nificant than loans. This is evidently explained by the worsening debt crisis that persuaded the bilateral donors to extend their assistance chiefly in the form of grants. Table 2 confirms the growing significance of grants in external assistance to Zambia for both bilateral and multilateral categories. With the exception of 1991, the grant element was almost 100 per cent for bilateral and roughly 90 per cent for multilateral assistance.

More recent data on development aid to Zambia indicate substantial progress in terms of volume of flows. For example, project and non-project aid to Zambia in 1992 stood at an all time high at USD 1121.88 million. For 1993, external donors pledged a total of USD 843.5 million as aid to the country (Saasa, 1997).

4. DEVELOPMENT PLANNING AND MANAGEMENT

The government system of Zambia was built after independence largely along the lines of the previous colonial administration. This was a system designed for the purpose of control rather than development. As such, it is highly centralised. It is composed of four levels. The central level involving the line ministries, the provincial level, the district level, and the village level. This was intended to facilitate a flow of information from the bottom to the top, providing basic information from village level to the responsible line ministry. But the final decision was always taken at the central level. The political system of Zambia—the one-party state—further strengthened the centralised tradition of the colonial administration. Already during the first republic, the system leaned towards strong presidential power. Kaunda virtually made all decisions himself, not necessarily involving the cabinet or the civil service. By the time of the second republic, economic decision-making was totally centralised. The president had by then abandoned collective decision-making and relied on a small group of advisors (Andersson and Ndulo, 1994; Gulhati, 1989).

The decision-making process in this system implies a conflict with the administrative requirements of aid programmes, although not necessarily with the donors' own administrative procedures. Aid intended for social sectors often requires grassroots involvement. Zambia's centralised decision-making has clear difficulties in accommodating these requirements.

This is a conflict with serious consequences for the effectiveness of aid:

> The problem is rather delicate, since sustainability of projects beyond external assistance depends on administrative commitment. If successful implementation demands that the centralised decision-making system be by-passed by donors, then the sustainability of projects is also called in question. Attempts to by-pass the administration have also faced another problem: The centralised system results in poor manpower capacity at district level and below. (Bigsten et al., 1994:47)

Moreover, the existence of donor procedures, demands, and conditions has tended to create a functional strain on the already ill-equipped and overstretched government bureaucracy, whose absorptive capacity is weak. This highlights the need for coordination, not only to avoid duplication of efforts, but also to make more efficient use of scarce government resources.

At present, the institutions and mechanisms that are supposed to serve as the forum for improved aid management and coordination at the national and sectoral levels are not performing adequately.

Equally revealing has been the discovery in this study that all the aid coordinating institutions at the macro-level suffer from serious structural and human-capacity limitations. These include weak organisational systems; inadequate and unreliable policy-cum-planning databases; the absence of well-trained, remunerated, motivated, and experienced personnel; and poor financial management and accounting systems that have tended to threaten accountability. The analytical capacity of most aid management institutions in the country is generally limited to collecting basic data on aid flows, with very little effort spent on policy-relevant analyses that would allow government to meaningfully bargain with and guide donors towards well articulated policies and priorities.

Zambia's ability to fulfil its part of the development project is, therefore, severely reduced at all levels, which means that donors are forced to take on functions that they are not supposed to undertake or are even ill-equipped for in order to ensure aid delivery. Donors are encouraged to either include gatekeeping functions in their interaction with the recipient and/or simply circumvent the government system altogether by creating parallel project management and implementation systems.

5. AID COORDINATION AND MANAGEMENT

Apart from the need for intra-government coordination vis-à-vis external resource management, this study has also highlighted the importance of realistic coordination between donors and recipients to ensure aid effectiveness. Donor–recipient coordination is important to the extent that it allows the national system to gain a more informed picture of the nature and scope of external support and to use such knowledge to strengthen both the definition and redefinition of external involvement as well as to consolidate its aid management capacity through an in-depth knowledge of the donor's activities. By close monitoring through, for instance, consultative meetings with donors, the government's seriousness of purpose would be revealed, itself an important catalyst for increased external support.

Equally critical in the analysis is the importance of coordination among and within the main players at the donor–recipient interface, so that their collective actions are harmonised in a way that avoids duplication of effort, and complications to both the government's and the donor's aid management function.

Although donor–government coordination usually receives most attention, this study has pointed to the lack of coordination among government institutions as being equally important. Serious institutional weaknesses at the national, provincial, and district levels, explain the deficiencies in the government framework within which aid is expected to be mobilised, received, utilised, monitored, and evaluated. Although there exist institutions and mechanisms that are expected to serve as the forum for intra-governmental coordination at these levels, they are currently not performing according to expectation.

6. CASE STUDIES

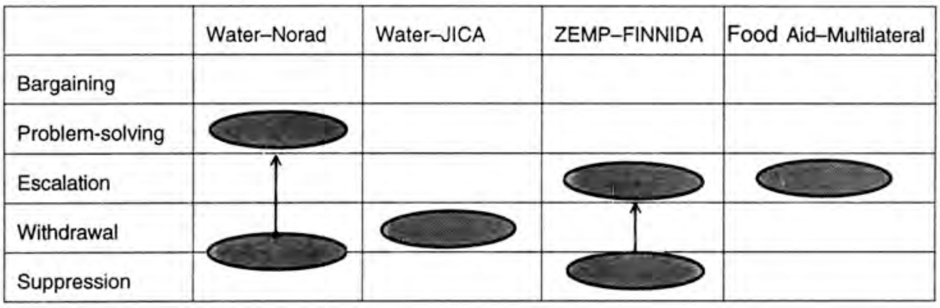
In order to gain some in-depth insights into the nature and mechanisms of the aid relationship, we selected four aid-financed development projects. The projects were: the Zambia Educational Materials Project, financed by Sida and the Finnish International Development Association (FINNIDA); the Western Province Water Supply and Sanitation Programme, financed by the Norwegian Agency for International Development (NORAD); Drought Emergency in Southern Africa financed by a combination of multilateral and bilateral donors; and the Ground Water Development Project in Southern Province financed by the Japanese International Cooperation Agency (JICA).

Our case studies showed, often in a dramatic way, that at the micro-level there are considerable costs to the host country from weak institutional structures and capacities. Donor behaviour at this level also demonstrated not only the diversity of their procedures and preferences but, perhaps more importantly, how such preferences have either perpetuated dependence relationships or contributed to more meaningful, sustainable, and, hence, productive donor–recipient interactions. The analysis that follows attempts to draw general conclusions from Zambia's experience with aid on the basis of the four case studies.

We defined several types of conflict patterns—bargaining, problem solving, escalation, withdrawal and suppression—some more desirable than others. It was proposed that the first two were the most desirable in terms of a well functioning interface. The prevailing conflict patterns in the case studies were analysed. Conflict patterns are not, however, static. They change over time. In order to capture the dynamics of the relationship we have, therefore, tried to show the relationships as they evolved during the different stages of the project cycle. The results from the case studies are summarised in Figure 1.

The case studies show that it is primarily when a problem is being identified and discussed that the parties engage in frank and open discussion with each

Figure 1. *Actors and relationships in the Case Studies*



other. Productive conflict patterns of bargaining and problem solving characterise all case studies except one. In the Norwegian-supported water programme, the government appears to have withdrawn from participation when NORAD began assessing the possibility of developing a water and sanitation programme in Western Province. The case studies also suggest that when the actual project design is being considered, the government tended to withdraw from dialogue with the donor. Donors are largely left to organise things as they finds appropriate. The exception here is the 1993 drought relief programme, where the government showed a strong commitment through all phases of the intervention. The tendency towards non-productive conflict patterns continues in two of the cases—the Finnish/Swedish schoolbook project and the Japanese water project. What is interesting to see, however, is the shift that took place in the Norwegian project. Halfway through implementation the conflict pattern changed, largely a response to reports on low effectiveness. A pattern of problem solving gradually replaced the previous pattern of a non-dialogue. What emerges in the case studies is that when the conflict pattern in the aid relationship is characterised by withdrawal or suppression, it leads to a number of donors opting to operate with considerable uninterrupted freedom outside the government system. The government either withdrew from direct involvement and confrontation, or suppressed its discontent regarding how things were evolving. In other words, a pattern leading towards marginalisation of the government in the development effort emerges.

What conclusions can we draw from these evolving conflict patterns in terms of effective management of the aid relationship? One possible conclusion from the four case studies is that the typical donor-aided project receives limited guidance from government during almost all phases of its cycle. For reasons not always readily apparent, the government has generally placed considerable faith in the donor, especially if it is a bilateral donor agency, in defining what is required and how best it can be attained. Evidence, albeit limited, suggests that because of weak institutional structures, low analytical capacity, and sometimes unclear policy, the government has often found it difficult to voice its concerns to donors, even in cases where it believes things should be done differently.

Consequently, as Figure 1 shows, when one perceives aid relationships in conflict-solving terms, the Zambian government has often either suppressed its dissatisfaction with donor conduct or has tended to withdraw in order to create an atmosphere of harmony with its cherished donors. Conflict-avoidance on the part of the government has, thus, tended to characterise the donor–recipient relationship/conflict interface in Zambia.

Consequently many donors choose to operate outside the government system. With the exception of the food aid case study, all bilateral donors have gravitated towards undesirable modes, in the sense that they have operated with minimum interference from government. Perhaps the most important lesson is that conflict avoidance in the donor–recipient interaction is not necessarily rational under certain circumstances. Due to Zambia's characteristic obsession with peace and good relations in its international relations, the perception that harmony is always good and conflict bad seems to figure in the country's relationships with its donors.

A number of deficiencies in the relationship between Zambia and its donors were revealed. The dominant mode of local participation at different stages in the project cycle was withdrawal from, or suppression of conflict, and this did not bode well for the effectiveness of aid. How do we explain these patterns?

We start by looking at intra-organisational factors. In order to explain why an organisation acts as it does, it is useful to look at the reward system or incentive structure, that dominates the organisation. Admittedly, such a discussion requires much more in-depth analysis of the participating organisations than we have been able to undertake. However, some interesting features emerge from the case studies.[1] How does the availability of resources determine organisational behaviour at the interface?

In Zambia, the generally deprived state of the economy is a prime factor explaining Zambian participation in the aid relationship. In practice, Zambian government administration does not work they way it was intended. Its basic structure has remained largely unchanged since independence. At that time, it was more or less able to perform its activities. Since then, much has changed, making government more and more inefficient. The system as it functions today is highly centralised, and marginalising all levels below the central level. Furthermore, the demands on the system in terms of planning and implementation are now so great that it cannot cope.

The fact that Zambia generally lacks resources to undertake activities on its own and effectively maintain the organisation with which it participates in aid projects, creates disincentives to any attempt to engage in constructive dialogue. There is hardly any possibility for the GoZ to mobilise the resources

1. Our analysis of organisational behaviour is very general. We do not differentiate between, for instance, the various Zambian organisations that participate in aid intervention. Neither do we distinguish between different donor agencies. This approach is deliberate for two reasons: first, we do not possess enough evidence on the functioning of each type of organisation; second, there are some analytical advantages to be gained from not going into too many details.

needed to its participate in all stages of a project cycle. Few organisational units in the government administration have sufficient resources. This leads to various types of behaviour incompatible with a good aid relationship. Staff need to supplement their meagre salaries in various ways. They lack transport, etc., to perform their jobs. Their incentive to participate as active counterparts is limited. Too often they choose to abstain from any productive critique of a project, simply so that their benefits are not threatened. Consequently, a passive partner exists who is only too happy to see the donor run the project.

This kind of behaviour is understandable. What is more difficult to comprehend is the fact that donors play along. Let us shift the focus to the other party in the aid relationship—the donor agency itself. Time after time, projects are designed as if the GoZ was a competent partner. The best example is perhaps the Zambia Educational Materials Project (ZEMP), another is the JICA water project. Each time the results are the same—projects slowly wither after the donor has withdraws. For those who have followed the aid debate over the last ten years, this conclusion may appear trite. A number of aid evaluations have repeatedly pointed to these weaknesses in project design.

The above situation suggests that donors assume a capacity and motivation in the host country that does not exists. The interesting thing is that this common knowledge has not led to changes in donor behaviour. The situation persists and it raises questions about the factors within aid agencies that prevent them from taking corrective action. The apparent disregard for Zambia's capacity to absorb aid when aid agencies plan the quantity and quality of aid cannot be explained by mismanagement or incompetence. The true reasons are more fundamental to the mode of operation of international aid. First of all, in most donor countries the amount of the state budget allocated to aid is predetermined in terms of a percentage of, for example, GDP. Within the international donor community, especially the DAC of the OECD, there has been strong pressure on donor countries to meet the 1 per cent target. This situation places immediate pressure on the donor agencies to disburse the money. Some donors also use a system of country frames, where budget allocations are predetermined for a longer period. In the case of Swedish aid to Guinea-Bissau, this had led to more or less automatic increases in support every year (Svedberg et al., 1994:137).

Thus, there are systemic forces creating an urge to move money. This immediately affects the incentive structure of the agency. Programme officers can look forward to good career prospects if they push money. They are less likely to be punished if the project fares badly. Theoretically, there are counterbalances in the form of elaborate appraisal procedures to prevent this. Still, there is evidence that these systems lend themselves too easily to manipulation. As Mosley, Harrigan, and Toye (1991:48) point out with respect to the practice of the World Bank, "a lot of massaging of proposals goes on to ensure momentary acceptability by such means as excessively optimistic primary product price forecasts".

The difficulties this creates in terms of aid effectiveness become very visible in a country like Zambia, where the capacity to receive fast-moving money is very limited. Donors are forced to bypass government, establish parallel structures, etc., in order to implement their projects in a reasonably controlled way. Such a strategy can, however, soon become a temporary panacea. The long-term sustainability of projects runs a great risk of being endangered.

7. MANAGING THE AID RELATIONSHIP

Our concern in this study has been the causal links between the aid relationship and aid effectiveness. We are not trying to answer Cassen's old question: Does aid work in Zambia? Even so, defining aid effectiveness is important.

Initially we used two definitional criteria: 1) The project's or programme's ability to achieve its set goals and objectives; 2) The degree to which such achievements are sustainable.

The extent to which objectives are reached cannot be interpreted in a mechanistic fashion against some pre-defined performance target. It also involves the issue of whether the objectives are the right ones—is the project doing the right thing, in the right place, and at the right cost? Determining what the right objectives are is a matter for the aid relationship. What the "right" objective is, is a social construct. Only if the aid relationship allows all involved parties in a project to bring their views on what the objectives should be will we approximate the "right" objectives.

The concept of sustainability is crucial for our definition of aid effectiveness. Not only should the individual aid intervention meet its set objectives, but the benefits should be realised over an extended period that exceeds the completion of the aid activity.

Furthermore, the aid relationship is important for sustainability in that it requires both donor and recipient to be able to clearly conceptualise and effectively implement a process of institutional capacity-building and/or strengthening in a way that:

1. takes advantage of the most abundant indigenous resource, manpower, and train it to handle project management, implementation, and evaluation beyond the period of external support;
2. establishes a realistic organisational framework within which project sustenance can be consolidated and guaranteed;
3. ensures the resources that are required for project success and effectiveness during the life span of the project.

The above considerations contain the fundamentals of sustainable aid. The extent to which these issues are properly addressed at the time of project appraisal, design, and implementation, is a function of the effectiveness of the aid relationship (Wai, 1994).

Sustainability is, however, a concept beset by methodological problems, which makes it difficult to evaluate whether an aid project is sustainable or not. The major difficulty is with time. First, the determination of sustainability requires a historical perspective. Quite some time may need to elapse between project completion and appropriate analysis of sustainability. Second, what we understand as a sustainable project at one time may have changed completely ten years later. Criteria for sustainability change with the times and, depending on when we choose to adopt them, may lead to quite different results. Third, measuring sustainability is not only a methodological problem. There are few aid projects where sustainability has been given an operational definition at the time of designing and appraising the project. Hence, evaluation of sustainability will be difficult after the event or at project completion.

In a situation where government has not established a functioning framework that allows for effective donor—recipient coordination, donor-driven initiatives that are not always synchronised with those of government often supplant the country's vision of development. Donors' priorities (which sometimes conflict with each other) are easily transformed into recipient's priorities when government capacity has been weakened by organisational and resource constraints. Under such conditions, donors have often been allowed excessive latitude to set their own standards and operational procedures that have not always met government expectations and preferences.

9. FUTURE AID RELATIONSHIPS

In the Zambian case, it is very difficult to establish a connection between aid and growth. In spite of structural adjustment policies, there is no supply-response forthcoming. This suggests that the basic need of the Zambian economy is structural change, not structural adjustment. The issue is whether aid can continue to play a progressive role in the future development of Zambia, or whether the simple truth is that:

> … most poor people in most poor countries most of the time never receive or even make contact with aid in any tangible shape or form: whether it is present or absent, increased or decreased, are thus issues that are simply irrelevant to the ways in which they conduct their daily lives. After the multi-billion dollar "financial flows" involved have been shaken through the sieve of overpriced and irrelevant goods that must be bought in the donor countries, filtered again in the deep pockets of hundreds of thousands of foreign experts and aid agency staff, skimmed off by dishonest commission agents, and stolen by corrupt Ministers and Presidents, there is really very little left to go around. (Hancock, 1996:190)

However, to attribute self-interest as the sole motive of politicians in developing countries is to deny their sincerity, their merit, and, ultimately, their legitimate right to govern (Mosley, 1991:13).

What happens at the aid interface is essentially a political process. Ideally what should happen is a process where interest groups (stakeholders) exert pressures to maximise their benefit—in terms of power and resources. There is a competitive process between various interest groups. The need to achieve broad consensus for government-donor project requires compromises, where expectations of the minority would be respected in the process of coalition-building. This is how political competition among interest groups not only protects but also constructs the public interest. This is not the process we have seen in the aid relationship in Zambia.

Compromises and coalition-building presuppose constructive dialogue between interest groups. This rarely takes place. Important Zambian interest groups are either not participating in the aid relationship or are marginalised to the point of withdrawal or suppression. The aid relationship is not very competitive and it does not function well as an arena for communication, or to paraphrase Long, a battlefield for knowledge. The question which quickly emerges is whether it is possible to raise the aid relationship to what it should be. Or does aid create inherent power configurations which are difficult to change without questioning the very phenomenon of aid?

It is always difficult to generalise from a case such as Zambia. The political, economical and social situation of the country is not representative of developing countries as a whole. There are, however, a group of countries with similar problems including Tanzania, Guinea-Bissau, Mozambique, and Angola. The experiences from the aid relationship in Zambia may well also be found in these countries.

Since the early days of aid, it has always been held that for aid to have a positive impact, certain basic preconditions must be present in the host country. There has to be a certain stability (absence of civil war, existence of law and order); there has to be a legal framework, judicial system, and institutional structures enabling the government and the economy to function; there has to be a minimum skills level and an administrative structure which enables the state and business to perform their basic functions (Riddell, 1996:102–3).

One should also add that a certain minimum is required of local resources—manpower, equipment, administration—to put into the aid project, not only during implementation, but more importantly to ensure sustainability. Much, the same conditions are important for enabling the government of the host country to participate in the aid relationship in a constructive way. The absence of these conditions has only a negative impact on aid effectiveness, but also on the political support for aid in donor and host countries alike. Stokke mentions, in particular, failure to reach the humanitarian and development objectives of aid, disrespect for human right, and lack of accountability as particularly influential in eroding support for aid as an institution (Stokke, 1996:109).

In Zambia, and in any of the other countries mentioned, the basic capacities for receiving aid in an effective way—resources, effective institutions, and competence—are not well represented. It is tempting to suggest that under such circumstances there is little prospect of restoring the aid relationship and realising the potential impact of aid. Is this pessimistic scenario justified? Is the obvious conclusion that aid to countries such as Zambia be abandoned altogether? We do not think so. But continued aid to Zambia should require a rethinking of the aid strategy and seriously and critically addressing the present imbalances in the aid relationship.

Any attempt to rethink aid should have as its point of departure the observed shortcomings of the aid system and the aid relationship in particular. The system as it exists today no doubt contains important "systemic flaws". First, aid as an institution is not owned by anyone, consequently no one really feels responsible for it. Second, in many developing countries leaders are more concerned about the relationship with donors than with their own people. Finally, the actors in the aid arena tend to seek security in clientship and cartels (Hydén, 1996:198).

What would be required to address these flaws in concrete reform terms? The Zambian experience suggests the following measures:

- The interface in the aid relationship has to be opened up to allow other local stakeholders to participate. Today it is dominated by government officials, politicians, and businessmen who all have distinct interests in the resources provided by foreign aid. It is rare to see provincial and/or district officers, not to mention the supposed beneficiaries of aid in the villages and urban centres, involved in the design, appraisal, and implementation of a project. Needless to say, such a reform will have substantial implications for how aid is organised and managed by donor and by host country. The level of aid flows should be determined according to what the host country can realistically accommodate. Thus, it is important to distinguish between actual needs and actual capacity to receive aid. Linked to this is an upgrading of the concept of sustainability. Traditionally, it assumes significance only at the point of evaluating an aid project. It has a much more marginal role to play during appraisal and project design. Rarely do project designers reflect on what is required by the local parties to "take over" the project in terms of resources, once the actual aid assistance has been terminated.
- The strong negative impact on the aid relationship and aid effectiveness exerted by a resource-starved government has profound implications for adequate aid coordination. Coordination is required primarily to make more efficient use of limited government resources. The case of Zambia clearly shows the need for a move from current donor-driven aid coordination to a mode of coordination with its origin in national planning and policy-making.
- Donors have to subordinate themselves to existing local administrative structures and procedures. In countries like Zambia, it is tempting to bypass such structures, or force them to adapt to procedures which are preferred by donors. The consequences are sometimes dramatic. Overburdened officials are left with the task of manoeuvring between the requirements of their own systems and those of a multiplicity of donors.
- Conditions in their present form need to be revised. Conditions which effectively entail a substantial involvement in national affairs do not contribute to an effective aid relationship, nor to aid effectiveness. In the short term, they may yield results, but the long-term effects are counterproductive. They tend to perpetuate a relationship characterised by dominance, rather than opening up a dialogue between "equal" partners.

The outcome of all these reform measures is an aid system which has its point of departure in the host country's perspectives. Local conditions and capacities should become the starting point for any aid programme, rather than a "contextual footnote" (Bossuyt and Laporte, 1995). The operational implications of applying such a perspective are, however, far-reaching. The organisation and management of aid will need to be changed, if local stakeholders are to be integrated in the decision-making process. The "disbursement" target will be difficult to achieve, if local capacities to receive determine the actual level of aid flows. Projects and programmes will take longer to plan and implement.

The "aid industry" does not really lack a view on what is good development aid, best practices, etc. Every year the aid agencies themselves, NGOs, various research institutes produce an impressive volume of studies on aid policies. Equally abundant are analyses on aid performance and what determines effective aid.[1] The authors of this study have, over the years, read a number of them. We have not done a scientific analysis of these documents. However, we feel that there are some typical traits in all of them which raise doubts as to the possibility of actually reforming the basic principles of foreign aid.

First, almost all policy related-studies accept the basic assumption that aid is necessary and has a natural role to play in the development of the Third World. The early critics of aid, for example Peter Bauer and Keith Griffin, seem to be forgotten. One would have thought that after twenty five and more years of experience of development aid, it would be appropriate to approach the issue of aid's relevance in a more open manner.

This leads to our second observation. There is a discrepancy between what is being proposed as good policies, best practices, etc., and actual operations in the field. Independent analysts, and sometimes even those responsible for policy formulation in aid agencies, may stress the importance of a "recipient perspective" insuring the commitment of the host government. However, examining actual practice shows that there is little to be seen. Donors continue to push their own development agenda, enforce strict appraisal and monitoring procedures, as well as measures to control implementation.

Third, analyses of the determinants of success and failure rarely discuss the influence of various stakeholder interests on the interaction in the aid relationship. The findings of this study are probably not unique. Everybody with some

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1. A sample of such texts could include the following:

Berg, E., et al., 1993, *Rethinking Technical Cooperation. Reforms for Capacity Building in Africa.* New York: UNDP,

Netherlands, Ministry of Foreign Affairs, 1993, *A World of Difference: A New Framework for Development Cooperation in the 1990s.* The Hague: Ministry of Foreign Affairs,

OECD, 1995, *Participatory Development and Good Governance.* Paris: DAC,

—, 1995, *Development Partnership in the New Global Context.* Paris: SG/Press,

SIDA, 1994, *State, Market and Aid: Redefined Roles.* Stockholm: SIDA,

World Bank, 1994, *The World Bank and the Poorest Countries. Support for Development in the 1990s.* Washington D.C.: World Bank, and

—, 1992, *Effective Implementation: Key to Development Impact. Report from the Portfolio Management Task Force.* Washington D.C.: World Bank.

experience in development aid recognises much of what we have discovered in our case studies. The more interesting question is the failure of aid to take any action to rectify this situation. The unwillingness to address the real issues of power and interests, results in policy prescriptions of the following:

> Donors had often acted as if development could be initiated and managed from outside, possibly in alliance with one powerful minister or with a small segment of the bureaucratic elite. A shift in donor attitudes is now required, in response to the process of democratisation they themselves have supported. The transformation by donors, from seeing themselves as determining policy to a genuine joint partnership in a new dialogue with recipients of aid may require a profound attitudinal change. For a new dialogue, donors must be willing to take recipients' decisions, strategies and approaches to implementation more seriously. The concept of national ownership of projects and programmes deserves more than the lip service it currently receives. (Havnevik and van Arkadie, 1996:21)

The problem with these kinds of policy proposals are not that they are wrong. On the contrary, it is not difficult to agree with them. A change is certainly required, but the question is whether change is at all possible. This can only be answered by thoroughly analysing of what drives donors, or host country representatives for that matter, to act in the way they do. Without such an understanding of what drives the parties in the aid relationship, it is difficult to devise policies and strategies that can be effectively translated into good practices.

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Conclusion

Introduction

What lessons about aid and the development process can be derived from the eight case studies in this volume? In this concluding chapter, we distil some generalisations and policy implications from the rich empirical material presented in the case studies, both in the short versions included in this volume and from the much longer works they are derived from.

Discussions of Africa in the popular press and by purveyors of "afro-pessimism" sometimes portray the continent as one big economic failure in which all efforts to promote development have come up short. In such accounts, aid to Africa is invariably described as a failure. Perhaps the first and most useful lesson to be derived from the preceding essays is the need for a far more nuanced appraisal of development efforts on the continent. Not only does the continent include both dismal "basket cases", but it also boasts a country like Botswana, whose growth rate during the 1970s and 1980s was unsurpassed in the entire developing world, including the tigers of East Asia. In addition, aid effectiveness and overall economic performance have varied within the same country across time and sectors. Thus, after the economic stagnation in the immediate post-independence period, the performance over the last decade of Burkina Faso and Ghana has been quite good. All the countries examined suggest, finally, that productive development projects can evolve almost side-by-side with egregious failures, sometimes even within the same sector.

This variety of results suggests that aid can promote economic development in certain circumstances and that current wholesale critiques of aid are misplaced (for example, Heritage Foundation, 1996). It is important to identify the factors which seem to determine development success and failure on the continent. A careful reading of the case studies in this volume point to three sets of interrelated factors in particular. First, the macroeconomic environment in which development efforts take place has a powerful impact on their likelihood of success. Aid is far less likely to be successful in a context of fiscal crisis and economic instability. Second, the recipient country must have the capacity and willingness to harness aid resources effectively. Aid is more likely to be effective when it is fully integrated into a sound development strategy established by the government. Third, the nature of the donor-recipient relationship has a critical impact on the effectiveness of aid utilisation. Particularly, the sustainability of aid requires that the recipient have a full sense of "ownership" over the programmes and projects that are formulated and implemented. Each of these three factors is related and tends to reinforce one another.

This chapter examines these issues. In a preliminary section, we assess the overall evidence of the success of aid based on the case study material. We argue that the evidence suggests that, despite aid's uneven record, the cases indicate that aid can be effective. We then turn to the three factors outlined above that explain the conditions under which aid is more likely to be effective. We finally address several policy implications of these findings.

Uneven Record of Aid to Africa

There is no gainsaying the uneven record of aid to Africa. Evaluating the impact of aid is beset with a number of complex methodological difficulties. Nonetheless, there is much prima facie evidence that aid has not been as effective in Africa as it might have been. First, despite a large volume of aid benefiting most of the countries in the region, economic growth has been slow at best. Thus, following two decades of sustained growth, aid represented 11 per cent of the GDP of sub-Saharan Africa in 1994. It represented at least 20 per cent of the GDP in ten countries in the region, levels that are historically unprecedented. Yet, during this period of sustained growth in aid volumes, annual growth in per capita GNP averaged -1.2 per cent between 1980 and 1991 for sub-Saharan Africa as a whole. It is hard to establish with precision the counterfactual that this would have happened in the absence of aid flows to Africa. Nonetheless, the conjunction of such a high volume of aid and such a disappointing economic record does suggest that aid could have been more effective. Moreover, a number of micro-level project evaluations suggest lower rates of return for aid projects in Africa than in any other region (van de Walle and Johnston, 1996:40–1). Fieldwork indicates that projects failure are more common in Africa then elsewhere: cases abound in the literature of roads that lead nowhere, of expensive foreign experts performing routine administrative tasks, of aid-funded projects with inappropriate technology, or of projects whose objectives are not sustained after the donor resources are withdrawn.

The case studies for the most part reflect this disappointing story. With the notable exception of Botswana, the preceding chapters chronicle a history in which there have been more failures than successes. However, the case studies also demonstrate that aid to Africa has some notable achievements to its credit. Alongside many disappointments, aid has financed many development projects and programmes which achieved very high internal rates of return, including schools, clinics, health posts, bridges, roads, manpower training programmes, etc. In Ghana, for example, the Ghana Rural Water Project (GRWP), set up in 1985 to provide potable water and sanitation facilities, has been credited with "the drilling of 202 wet boreholes, training of 200 local hand-pump maintenance volunteers, construction of 60 VIP latrines, improved cleanliness of communities due to intensive hygiene and sanitation education" (Aryeetey, 1995:102). Some of the spin-offs from this project have included the fact that "women now have increased options with respect to the use of their time as they have a choice between working longer on their farms, going for literacy classes, or engaging in some other income-generating activity" (ibid:103–4).

Such examples could be multiplied. The Kenya study records impressive gains in the health sector as a result of donor assistance. For example, fertility declined in Kenya from 8.1 per cent in 1977 to 5.4 per cent in 1993. The same study shows the important role that aid has played in the fight against AIDS/HIV, both in sensitising government about the magnitude of the problem and its implications, as well as in helping the Kenyan government in its efforts to combat the disease. The Burkina Faso study argues convincingly that aid has played a key role in food security and has helped protect the country from the devastating impact of past drought. Aid resources clearly played a key role in allowing Botswana to reach its goal of universal primary education by 1990.

Without implying that there are no legitimate reasons for the current aid fatigue in Africa or the widespread scepticism about its usefulness, these successes are worth recognising. As was suggested in the introduction, our primary interest in studying aid was not to assess precisely what it has achieved in Africa or its exact contribution to economic growth. Our key objective was the more modest one of establishing how aid might be made more effective on the continent. Recognising that aid can be effective and that it has been effective in many instances, we found it most useful to analyse the conditions under which it would be more likely to be effective in promoting economic development.

The Macroeconomic Environment

A first factor that helps explain the success of aid is the extent to which it is designed and implemented in the context of macroeconomic stability. It is now well established that the absence of stability results in sub-optimal use of resources, as economic agents are more likely to prefer short-term speculation and consumption to long-term productive investment. The case studies suggest that when aid has been provided during an economic crisis, as has been the case in much of the region over the last two decades, it has been less likely to reach objectives that rely on a positive response from economic agents. For example, agricultural projects are less likely to result in farmers investing in productivity-enhancing technologies when the latter live under the greater uncertainty of economic crisis.

The case studies clearly demonstrate a perhaps even more important negative impact of macroeconomic instability on aid. Particularly when it is prolonged, economic and fiscal crisis undermines the quality of public sector management, which also has a negative effect on the quality of aid. Long-term economic disequilibrium results in a weakening of the government's planning and budgeting functions. For example, African governments respond to fiscal crisis by cutting their investment budgets disproportionately, which may prevent them from meeting aid counterpart-funding obligations. If the crisis continues, they will also cut non-salary recurrent budgetary allocations.

The implications of this are clear in the cases of countries like Ghana, Tanzania, and Zambia which underwent prolonged fiscal crisis. Government officials lack the means to visit rural projects, for instance, because ministerial vehicles lack gasoline or spare parts. Or they view foreign aid projects as meeting their operating expenses rather than promoting investment activities. In these countries, the movement towards an improved macroeconomic situation has paid clear dividends for aid effectiveness. The Ghana case study is particularly eloquent on the positive impact of the successful economic stabilisation programme of the late 1980s on the effectiveness of government operations. With stabilisation, the government was able to renew efforts at institution-building and long-term planning that had essentially been decaying for over a decade as the country slipped into chaos and uncertainty.

When economic and fiscal crisis is particularly intense, some of the basic functions of recipient governments are critically undermined. Regular economic planning and budgeting become more and more haphazard, replaced by crisis management and ad hoc solutions to the most pressing emergencies. Governments stop collecting economic statistics or monitoring economic activity, coming to focus all their energy on their own survival. When this happens, governments become incapable of properly planning, designing, and implementing aid projects and the quality of aid further deteriorates.

Management Capacity of Recipients

Much of the aid effectiveness literature in the past focused almost entirely on donor agencies. Yet a second recurring lesson from the case studies is how crucial recipient government management of aid resources is to their effectiveness. Perhaps the most important determinant of aid effectiveness is the recipient's capacity to manage aid and integrate it in to its own coherent development management process. Aid programmes are more likely to be successful when the recipient government has the capacity to identify and articulate its own priorities and programmes, and the ability to implement, monitor, and evaluate the resulting programmes in the context of its own planning and budgeting. For this to be possible, a well functioning institutional machinery has to exist. The country must have state organisations with the will and capacity to set policy priorities, negotiate with donors, and determine when to accept or reject donor proposals. In addition to maintaining a stable macroeconomic context, government organisations must at least have personnel at the top of the state apparatus with skills, professional norms and experience, as well as the motivation to perform well.

A government that is unable to harness and manage its resources effectively usually fails to identify and define its own problems and its priorities for external assistance. Unfortunately, with only a handful of exceptions in Africa, this capacity and political will is deficient. Indeed, the poverty of institutional and organisational resources available to governments in Africa probably distinguishes the region from other parts of the developing world, albeit in the context of wide intra-regional differences.

The cases discussed in this volume show that in virtually all the countries studied, the lack of managerial capacity is a key impediment to efforts to use aid effectively. In particular, the cases show that problems in government development-management capacity lead directly to several problems that commonly observed in Africa.

First, token or peripheral involvement of recipient governments at the project-formulation and design stage contributes significantly to the lack of subsequent ownership of such projects by recipients. Problem-identification and policy agenda-setting should be the responsibility of the recipient country, because the recipient government is better placed to know local needs than are external aid agencies. Moreover, local officials and institutions are more likely to continue to support programmes and projects during and after implementation if they have participated in the decision-making process beforehand. Aid projects that were fully integrated into the government's own planning and budgeting exercises are substantially more likely to be sustained after the end of donor support. For instance, the project's long-term recurrent cost implications are much more likely be accepted by government and budgeted for.

Perhaps as important as institutional capacity, however, is the related ability and willingness to integrate aid resources into a coherent national development strategy. Capacity by itself does not matter if aid resources are managed in isolation from national development efforts, or in the context of incoherent economic policies. Thus, for instance, what seems to distinguish Botswana from Kenya and Ghana is not so much greater initial institutional capacity within the Botswana state, as the government's ability to harness aid resources for its own sound development strategy.

In contradistinction to Botswana, the other cases often demonstrate that the problems created when governments do not fully involve their own institutions in the aid process are largely self-perpetuating. In the absence of central state management capacity among recipients, donors try to fill the gap. For example, they resort to a host of parallel aid management systems to perform the tasks they do not believe available state structures are capable of undertaking. Over time, this becomes a self-fulfilling prophecy for donors, as capacities and resources are in fact transferred to these parallel structures, which come to attract the most skilled and ambitious local technocrats, to the detriment of even the strongest central state institutions. Soon, even the government prefers these parallel structures to its own structures for project implementation.

Apart from the fact that donors may not be the best to know what the recipient country needs in terms of aid, a second set of problems that typically arise when recipient government institutions do not integrate aid into their own management processes, relates to aid coordination. In all the case studies, the need for greater coordination of aid is noted by both donors and recipients alike. However, coordination of aid remains recognised in principle but rarely practised. Many countries in Africa attract aid from a large number of donors. Zambia, for example, receives aid from several dozen official donors as well as at least an equal number of NGOs (see Saasa and Carlsson, 1996). The Ghana case study makes reference to the NORRIP evaluation report on the northern region of Ghana, according to which a few communities have had two or sometimes three water and health projects from different organisations, while the other regions had none. The lack of coordination naturally results in duplication of effort within the donor community. As several case studies note, the lack of coordination "can lead to severe waste of resources", while also "complicating the aid management function of government" (see Gitu et al., 1996:47; and Saasa and Carlsson, 1996:127).

A common problem in countries in which lack of aid coordination prevails is the general practice of having each government institution negotiate aid separately. In countries such as Tanzania, Zambia, or Burkina Faso for example, individual ministries and even parastatal institutions have negotiated aid separately with donors. As a result, the government's budgetary authorities often do not know of the various counterpart and recurrent cost implications of the aid. This has taken place despite the existence of formal mechanisms designed to centralise and coordinate the government's aid, but which it is often convenient for both government and donor to side-step. Thus, the Senegal study suggests that only half the investment projects that were aid funded in 1995 were ever formally evaluated by the ministry of planning, which officially has to sign off on all such projects. In Senegal, as elsewhere, the mechanisms put in place are not allowed to perform the task for which they were designed, and over time they may atrophy and lose any credibility with which they may initially have been endowed.

As the Tanzania case study shows, the actual composition of aid under these circumstances is largely the result of ad hoc local processes combined with the policies of individual donors and their willingness to finance specific activities. Lack of coordination on the donor side creates problems of duplication of effort and wastage of resources. The need for coordination at a national level is well articulated by Saasa and Carlsson in the Zambia case study, where they observe that

> various government and non-governmental organs that receive and utilise external assistance should operate under a functioning institutional framework within which such resources are effectively and efficiently managed and used for intended purposes. In a situation where such a policy or organisational framework is non-existent, the tendency has been for donors to declare a vote of no confidence in the system and on grounds of effectiveness, they often opted to operate around the established government structures. (p.128).

The Botswana case is interesting, because it highlights a different approach to aid management and illustrates the issues we have raised. In Botswana, there is only one institution charged with negotiating and securing aid, the ministry of finance and development planning (MFDP). In theory and practice, only this ministry is mandated to plan, programme, and evaluate aid activities. This centralisation of aid planning and management serves three purposes. First, it makes aid coordination possible. The MFDP defines the government's own programmes and projects in the five-year development plan, and donors are expected to fund projects which already fit the government's overall strategy. Donors are encouraged to specialise in sectors so as to avoid unnecessary duplication. When they suggest projects which are not contained in the plan, the MFDP will scrutinise them carefully to ensure that they can be accommodated. If not, the aid will be refused.

The Botswana junior secondary education improvement project illustrates how the government has often worked hard to ensure that a donor does not derail its own defined priorities. Note that during project implementation, USAID tried to establish structures and procedures to ensure it retained control over the way the project was implemented. The government resisted USAID pressures to have the government establish a post of a deputy permanent secretary to oversee the project. There are instances where Botswana also refused aid when the government decided that the aid was not in the country's interests. This is in complete contrast to most countries on the continent, which never turn down donor resources. Many are, of course, in a much weaker position in dealing with donors than Botswana, given their poverty and the pressures wrought by fiscal and economic crises, though it should be noted that the procedures and attitudes of the Botswana government were forged when that country was one of the poorest in Africa. In addition, most countries lack the kind of aid management system that can establish sound criteria for accepting or refusing aid. For example, in its dealings with donors, Tanzania has shown a willingness to accept all forms of aid. There, central government makes little effort to centralise or coordinate aid, leaving donors free to negotiate with any state institutions they see fit. Management capacity problems have routinely undermined aid effectiveness in Tanzania with the government failing to meet its obligations; yet no discernible efforts have been made to improve the situation.

The second advantage of a centralised system is that it ensures financial control, and this promotes accountability and sustainability. Since aid is integrated into regular government expenditure and financial procedures, it has been deemed necessary that someone keep an eye on future budgetary obligations and ensure that payments are met. Unlike the situation in most other countries in the region, individual ministries do not solicit aid, thereby avoiding accountability or recurrent cost problems. Throughout Africa, economic plans have generally become largely academic exercises that may not be relevant to government policy-making. In Botswana, on the other hand, planning has become central to governmental resource-allocation mechanisms.

The third reason for centralising the aid management system has been the need to facilitate manpower planning and ensure that aid-related manpower needs conform to planned manpower ceilings and recurrent expenditure. Because skilled labour is in such short supply in these countries, it is critically important for governments to utilise the capacities that have been developed and to invest carefully in skill acquisition in areas where it is needed. Again, a degree of centralisation is necessary for governments to master this dimension of the development process.

A drawback of such a system is of course its tendency towards bureaucratic delay. The government of Botswana distinguishes itself by the length of time it usually takes before committing itself to particular aid packages or projects and formalising aid agreements. The typical delay is due in part to the practice of scrutinising the aid proposal to ensure that it falls within the overall national plan and the development priorities already identified. It allows for governmental coordination and consensus-building. As a result, according to members of the donor community interviewed by the research team, once a commitment has been made, the government will deliver what it has promised. It should be noted that, according to high ranking officials in the ministry of finance, aid is not necessarily free. It has costs, some of which may be hidden, justifying the practice of thoroughly examining all the implications to ensure that they are understood, and that both donor and recipient know fully what they are getting into. Without a properly functioning aid management system in which aid is fully integrated into the national development programme, such analysis and reflection over pros and cons is hardly possible.

A direct result of the failure to coordinate aid and integrate it within a coherent government development strategy is the proliferation of aid activities. This has increased as the number of donors has risen. In the mid-1980s, for example, "around 600 projects from some 60 official donors were operating in Kenya and 614 projects from 69 donors were operating in Zambia" (van de Walle and Johnston, 1996:49). From the case studies compiled by van de Walle and Johnston, they concluded that the numbers could actually be higher. In Tanzania, for example, "more than 2,000 projects from some 40 donors and in Ghana some 64 government or quasi-government institutions as well as four private sector institutions, were receiving aid in the 1990s" (ibid:49). They have observed that it is not unusual for each of the major donors to be present in two dozen African countries and have 10–20 stand alone project activities in each. Sectoral ministries wishing to devise and implement a coherent strategy often need to monitor several dozen projects, including a number which may be housed in stand alone structures over which they have no leverage. Again and again, the case studies suggest these sectoral ministries may have at best a very imperfect understanding of the full gamut of aid activities in their own sector.

In the context of the lack of managerial and administrative capacity among African countries, the stress that these practices place on governments and their ailing institutions is tremendous. Among other things, the reporting and monitoring requirements alone are considerable. It has been observed that "a conservative estimate of 600 projects translates into 2,400 quarterly reports submitted to different oversight ministries; as well as more than 1000 consultancy missions a year to appraise, monitor, coordinate, and evaluate the activities" (ibid:50). All these consultancy meetings take the time of the already overstretched key officials. Aid undoubtedly imposes a serious administrative burden on already ill-staffed and incompetent administrative systems.

Aid Relationship

Aid is very much a joint undertaking between a donor and a recipient government. It has become fashionable in aid circles to refer to the notion of "partnership" to describe the relationship, and to capture the idea that two actors have joined hands to accomplish something of mutual benefit. This project adopted the view that there is indeed a causal link between the aid relationship and aid effectiveness.

Belying the rhetoric of partnership, however, are the project case studies which suggest that the aid relationship between African governments and donors has been unequal and characterised by the passivity of recipients and the dominance of donors. The unequalness of this relationship has probably contributed to misunderstanding, resentment, and quite often conflict between the partners (Sida, 1996).

The evidence presented in the case studies reveals that lack of government management capacity for development purposes has conditioned the relationship donors have forged with recipient governments. Several examples from the case studies illustrate the point, that over time, the asymmetry in capacities between government and donor has led to the domination of donors in the design, implementation, and monitoring of aid activities, combined with a tendency of governments to reveal their real preferences only indirectly and passively. The desire to promote short-term success in the face of low governmental capacities has led donors to play roles which ideally should be left to recipients. The failure to emphasise the building of government management capacities has constituted a self-fulfilling prophecy, as we argued in the last section, but it has had some short-term advantages. Donors may sincerely wish to enter a real dialogue with government, but the latter's withdrawal has allowed donors to process aid proposals faster and to respond more flexibly to the pressures from their own bureaucracies and domestic constituencies. For example, stand-alone project structures do not promote institution-building in the recipient state, but they facilitate the meeting of narrow financial and administrative accountability requirements imposed on donor agencies by their domestic bureaucracies.

The system has discouraged a sense of ownership of aid by government officials who will seldom openly oppose the donors but will instead withhold support from aid activities they do not favour. In effect, government officials will often "withdraw" from the relationship. Withdrawal is a result of several factors, including the belief by the recipient that its input will make no difference to the decision on the aid package.

In Tanzania, "often, the discussion on key policy issues is initiated by donors while many studies are commissioned and implemented by the donors, e.g., the Economic Policy Framework Papers" (Bagachwa et al., 1996:83). Where recipients are only marginally involved in the planning and design of projects, donor priorities have naturally tended to dominate often in a haphazard and uncoordinated fashion. In addition, as the case of Zambia shows, donors have also simply bypassed the government system altogether by creating parallel management and implementation systems. There are a number of problems which result. First, donors are not always in a position to define the needs and priorities of the recipients correctly. The groundwater development project in Zambia underscores the importance of having beneficiaries themselves participate fully in the design and implementation of projects, which, after all, they have a powerful incentive to make succeed.

The quality of aid suffers as a result of this unproductive and often ambiguous relationship. The Zambian case study discusses the Norwegian-supported water programme during whose formulation (i.e., at problem identification and at the discussion stage) the Zambian government and the Norwegians were supposed to be engaging in frank and open discussion. On the contrary, the Zambian government chose to withdraw from participation in that process because it avoided dialogue with the donor. As a result, donor staff were left to organise matters as they considered appropriate. This is in complete contrast with the 1993 drought relief programme where the government showed its commitment throughout the entire process. As Saasa and Carlsson (1996) so rightly observed, "when the conflict pattern in the aid relationship is characterised by 'withdrawal' or 'suppression,' it contributes to the perpetuation of a number of donors with considerable and uninterrupted freedom outside the government system" (p. 143).

In the Tanzanian case study, the authors lament a general deterioration in the aid relationship between Denmark and Tanzania. In particular, they point to the different views each holds about the donor-recipient relationship. Donors believe that "there is little sense of ownership of the major development programmes" and point to "the failure of the government to exercise fiscal control because of declining administrative capacity and corruption" (Bagwacha et al., 1996:38). On the other hand, the government of Tanzania typically believes that "donors are too demanding and impatient ... that the problem of corruption is there but is no more severe in Tanzania than in other developing countries .... [that] donors have excessive influence on Tanzania's development programmes and policy ... [that] donors have little trust of Tanzania as evidenced by the creation of project 'islands' of their own ... [and that] the donor demands on time and energy of key economic managers and officials are overwhelming" (ibid.).

Perhaps an even more interesting effect of this type of relationship is its implications for the ownership of development programmes. When recipient aid-management has been consistently deficient, the aid relationship comes to be characterised by dominance of donors in the definition and setting up of development programmes. In the process, local goals and priorities become marginalised as the recipient government plays an increasingly peripheral role. This has undermined local ownership of development programmes. An interesting example is the way in which Tanzania has now accommodated the IMF/World Bank economic policy after trying unsuccessfully to go without donor support and implement home-grown reform programmes (NESP, 1981–1982 and SAP 1982/85).

The decision to accommodate IMF/World Bank influence was mainly motivated by the belief in Tanzania that disagreement with these donors would lead to withdrawal of their aid. It should be no surprise that local support for the donor-driven reform programme is narrow and slight and that most Tanzanians believe the programme was imposed from the outside and doubt that it will achieve its aims. This situation is further testimony to the validity of one key lesson from this aid-effectiveness project: in order to improve aid effectiveness, donors should allow and encourage recipients to play a much more active role in both the design and implementation of aid; and that there are no shortcuts for governments in taking charge of their own aid programmes and integrating them into a coherent and forward-looking development strategy.

Sustainability of Aid

There is a direct relationship between the lack of capacity to manage aid, the nature of the aid relationship, and the long-term sustainability of aid. In the previous two sections we argued that most African countries have often failed to manage aid effectively. This failure has increasingly shaped the current relationship between donor and recipient, in which donors tend to dominate policy and agenda-setting while African governments play a largely passive and peripheral role. One of several implications of this dynamic has been a resulting lack of local ownership of aid activities, and a tendency to view aid performance as a donor responsibility, particularly once the economic and fiscal crises become significant.

Despite agreements to ensure continuity of projects when donors depart, there is a common need to maintain external funding after projects should technically have been phased out. In fact, the failure of governments to meet recurrent cost obligations constitutes a very important and worsening constraint on aid effectiveness in Africa. What our analysis has shown is that part of the problem lies with the way aid is conceived and designed. The practice of ad hoc aid planning, where individual ministries are encouraged or left to solicit their own aid resources complicates the management of recurrent expenditures in Africa.

The importance of sustainability and its neglect in aid practice is striking at the country level. The Kenya study notes that in the thirteen hospitals operated by the ministry of health, 40 per cent of all equipment was out of order. Throughout the continent, roads and public utilities are in disrepair, schools are without teachers or supplies, and vehicles for health and agricultural extension are without spare parts or fuel. The economic costs can be severe; in the road transport sector, for example, potholed roads in Zambia boosted vehicle operating costs by 17 per cent, while a USD 40 million shortfall in road maintenance expenditures in Kenya increased vehicle operating costs by USD 140 million in 1997.

A key lesson from the case studies is that ownership is a precondition for the sustainability of a programme. An example at the project level will illustrate this. The Zambian case study discusses two interesting cases in the water sector. One was funded by Norway during the 1980s while the other has been funded by JICA since 1985. The NORAD project was donor-driven and designed by a team of expatriate engineers. It did not operate within formal governmental structures and NORAD ensured that the project operated independently. Because the community had not been involved, implementation became problematic. Poor decisions appear to have been made regarding the choice of technology. Local populations were not mobilised to support the project and facilitate maintenance. Over time, maintenance problems became rampant and the local community felt uncommitted to ensuring the continuing success of the project. Consequently, NORAD redesigned it, this time getting the basics right, such as securing community involvement and developing capacity at the local level to manage the project. Predictably, ownership by both communities and local authorities increased and implementation was substantially improved. Although financial sustainability has remained a problem, local support for the project has been strong. An important lesson from this case study is that project ownership by recipients is a prerequisite for the success of development projects.

Unless aid is fully integrated into a recipient's national development programme, problems of this nature will recur. The fact that integration has helped Botswana avoid these problems further underlines the inevitability of change to current aid practices.

Policy Implications

Aid to Africa can be made more effective. For this to be possible, however, both donors and recipients must change certain practices which currently militate against aid effectiveness. We need not emphasise the fact that although the interests and motives of donors and recipients in matters of aid do not always converge, it is in their interest that aid resources be put to good use. The Cold War is over and the political climate of global aid has changed. Aid fatigue has set in, and throughout the developed world governments are under increasing pressure to decrease their aid to Africa, if not eliminate it entirely. This means that Africa will find herself facing shrinking aid resources with time. The need for more effective aid is thus pressing. What can be done? The following general suggestions flow from the analysis we have presented. They are offered without any underestimation of the difficulties involved in implementing them in the coming years.

Ensuring macroeconomic stabilisation: There can be no sustained economic growth in the absence of much greater economic stability than most African countries have achieved in the last two decades. Aid cannot be effective in an environment of high inflation, fiscal crisis, and prolonged negative growth. The effective use of all investment resources, including aid, requires greater certainty for economic agents than they have seen in recent years. This is not necessarily an endorsement of the current reform programmes being implemented in Africa. The case studies of Tanzania and Zambia in particular suggest that past economic reform attempts have paid insufficient attention to protecting institution-building efforts from economic and fiscal crisis. Nonetheless, economic stabilisation is a necessary (if not sufficient) condition for greater aid effectiveness.

Improve the management capacity of recipients: Both donors and recipients must give the development of this capacity a higher priority than they have in the past if aid is to be made more effective. Management capacity can no longer be treated as if it will naturally emerge from the development process. Instead, donors should focus on promoting greater government capacity as a prerequisite for the success of other aid objectives. The institutional and organisational resources of government must be strengthened. In most countries of the region, this means, first, much greater attention to reforming the civil service, too long neglected, with the aim of creating a core staff capable of identifying problems, formulating project designs, and ensuring their effective implementation.

It should be noted that we are not recommending a larger economic role for the state, or more interventionist sectoral policies. Governments clearly need to prioritise their activities and ensure their ability to undertake the most important functions before assuming other less essential tasks. Financially strapped governments in the region will probably have to learn to devolve certain activities to the NGO and private sectors (see below), limiting themselves to the less onerous role of oversight and regulation. Regardless of the substantive content of policies, virtually all African governments today need to enhance their management capacity.

Improve aid coordination: The current duplication of and wastage in aid projects needs to be stopped. Aid coordination ought to be made a priority, particularly by recipient governments. As we noted earlier, project and donor proliferation overstretches the management capacity of recipients and leads to wasted resources. Recognising the central role of government and its budgetary and planning processes is one mechanism to limit the duplication and waste. Another would be greater specialisation by donors, who should be encouraged to focus on a smaller number of countries, and on a smaller number of activities.

Change the relationship between donors and recipients: Recipient governments should be encouraged to take a more proactive role in designing, implementing, and evaluating their own aid programmes. This is not possible if governments do not make serious efforts to integrate aid into their own national programmes and revamp their own planning and budgeting processes. It is also unlikely to happen if donor agencies continue to preempt local initiatives by dominating the project-identification and design phases of aid. To change the incentives for governments, donors should explicitly start rewarding governments that demonstrate a readiness to make capacity-building a priority, and which are trying to integrate aid resources into their own coherent development strategies. Donors should also encourage governments to identify and design their own aid activities, even if this entails lower volumes of aid to most countries, as it almost surely will, at least initially. This does not mean that donors should withhold aid from the poorest and neediest countries, which will often be those with the lowest capacity. Donors will need to have different expectations according to the human and financial resources available to each recipient state. In some countries, donors will need to provide basic continuing policy-making expertise for the foreseeable future. Nonetheless, most countries now have access to adequate local human resources. Several decades after independence, even the poorest states cannot claim to lack capacity to set basic national priorities or to identify development needs.

Develop partnerships with institutions outside government: A key mechanism for improving government performance is to relieve it of unnecessary burdens. As a result governments must be encouraged, where possible, to tap capacities outside their formal organisational structures. This means more active collaboration with NGOs and the private sector. Awareness and even willingness to look beyond governmental organisational resources is currently lacking in Africa. The call for this partnership should not be equated with a recommendation to eliminate government. We wish to underline the fact that strong government, with a solid policy analysis and implementation capacity, is indispensable for effective aid use. On the other hand, care should be taken not to be tempted (as is often currently the case) to bypass the state entirely. The current fashion of NGO aid has led donors to rely on NGOs for projects that have long-term recurrent costs that only the state will be able to meet. This simply rehearses in different guise past mistakes of excessive reliance on independent project structures. Both practices ultimately result in lack of local ownership and of sustainability. Instead, a proper balance must be struck in which the state provides a central coordination, policy-setting, and regulation, but relies on a panoply of institutions and resources to implement policy in an effective manner.

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