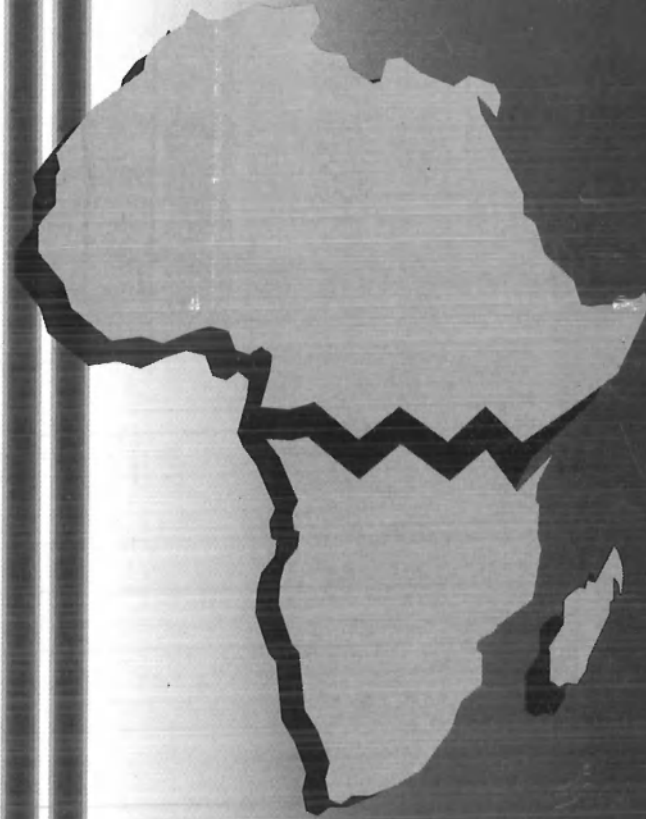


AFRODAD

① AFRICAN FORUM ON DEBT
AND DEVELOPMENT

② Reality of aid:
Africa edition 2002:



does Africa need aid?

Table of Contents

OF
DEVELOPMENT
STUDIES
ISSUES

Chapter	Subject	Page
	Table of abbreviation _____	(iii)
	Preface _____	(v)
1	Introduction _____	1
2	Motivations For Aid _____	3
3	Aid And Debt Undermine Ownership Of The African Development Process _____	8
4	Governance And Aid _____	19
5	Poverty Reduction Strategy Papers (PRSPs) _____	29
6	Does Africa Need Aid? _____	37
7	Policy Observations and Conclusion _____	46
8	References _____	48

(i)

IDS



036792

Tables

1	Sub-Saharan African Debt Trends, 1980-2000	9
---	--	---

Boxes

Box 1	African CSO views from the RoA conference held in Harare, July 2001	19
Box 2	ACPDT's community research	22
Box 3	Benefits of the Governance & Aid Agenda	25
Box 4	Areas Of Successful Utilisation Of AID By CSOs	26
Box 5	An Example of CSO Participation in Uganda	37

Figures

1	Citizens' Expectation	20
---	-----------------------	----

Table of abbreviations

ACPDT	Africa Community Publishing and Development Trust
AIDS	Acquired Immune Deficiency Syndrome
BOP	Balance of Payments
CG	Consultative Group
CSO	Civil Society Organisation
DSA	Debt Sustainability Analysis
HIPC	Highly Indebted Poor Country Initiative (HIPC)
IDS	Institute of Development Studies
IFI	International Financial Institution
IGP	Income Generating project
IMF	International Monetary Fund
LABE	Literacy And Basic Education Programmes
LDC	Less /Least Development Countries
NPES	National Poverty Eradication Strategy
NGO	Non Government Organisation
OECD	Organisation for Economic Co-operation and Development
ODA	Overseas Development Association
PRGF	Poverty Reduction Growth Facility
PEAP	Poverty Eradication Action Plan
PPAs	Priority Poverty Areas
PRS	Poverty Reduction Strategies
PRSP	Poverty Reduction Strategy Programme
RoA	Reality of AID
SAP	Structural Adjustment Programmes
TAS	Tanzania Assistance Strategy
UN	United Nations
UN	United Nations (UN)
WB	World Bank
WSSD	World Summit for Social Development
ZARD	Zambia Association for Research and Development
ZWRNCN	Zimbabwe Women's Resource Center and Network

Preface

The inability of the Least Developed Countries (LDCs) to receive any tangible results from the Aid Regime is symptomatic of a failed relationship of partnership between Africa and the developed countries. The real question is whether this relationship deserves nurturing or breaking. In order to remedy the situation, ongoing discussions and debate within Africa on the nature of the whole Aid Regime and the quest to finding sustainable solutions to improving aid delivery and management is paramount.

The serious questions raised regarding the Reality of Aid are twofold:

- 1). To what extent are the external factors represented by Aid and Debt a factor in the African underdevelopment process?
- 2). What key relationships render Africa in an ongoing spiral of the underdevelopment process?

This Reality of Aid Africa Edition 2002, which is the first in the Series, is an attempt to begin to understand and respond to some of these issues that confront the African continent as it deals with the efficacy of Aid and Africa's relationships with its development partners both within and Outside Africa.

At a Meeting of Civil Society Organisations (CSO) in Jinja, Uganda in 2000, it was agreed that the following areas of debate or sub-themes on reality of Aid be opened up: Motivation of aid, Aid and Debt, Aid and Governance, Aid and Resource management, Aid and Poverty Reduction Strategy Papers (PRSPs); and Does Africa Need Aid? These themes were conceptualised under the broader theme of *Ownership and Conditionality*.

In this Edition, however, we attempt to address only four issues namely, Motivation for development Aid, Aid and Debt, Aid and Governance, PRSPs and finally we raise the Issue: Does Africa Need Aid?

10 CSOs, drawn from Zimbabwe, Zambia, Tanzania, Mozambique, Cameroon and Uganda were involved in discussions and generating Notes, which have been used for this Edition. These are Uganda Debt Network, Zambia Association for Research and Development, Partnership – Cameroon, Tanzania Social and Economic Trust, Mozambique Debt Group, Zimbabwean Coalition on Debt and Development, and Zimbabwe Women Resource Center and Network.

We can admit to the fact that the quality of the Papers may not be as high as expected. Nonetheless, it is our strong belief that this first attempt will only be rewarded by improved quality in the next series by inputs from African civil society (CSOs). For that reason we will accept to receive information that and debated on this issue that we will be able to use for the next edition.

This material is directed at African Governments and African Intergovernmental organisations and CSO around the world. Civil society organisations are encouraged to ask their parliamentarians on some of the pertinent issues raised in this edition and secure that there be debate at the different levels on the African continent regarding these issues.

Opa Kapijimpanga,
AFRODAD Coordinator

CHAPTER 1

Introduction

The reasons for providing donor Aid are varied and complex. Orthodox approaches treat foreign Aid as a critical factor for redressing capital deficiencies (financial, physical and human) in poor nations, boosting local demand and supply and through positive multiplier effects, establishing conditions for sustainable long-term growth. Donors expect Aid to induce policies and programmes that lead to improved economic performance as well as facilitate the implementation of programmes that promote improved economic performance. The reality however, is that Aid is driven by other motivations. What makes the motivation of Aid concept particularly complex is that Aid is situated within the context of donor countries' development co-operation policies, which in turn are defined by their foreign and security policies. 'Motivating factors' affect the administration and impact of foreign Aid by undermining ownership and therefore sustainability of the African development process. Evidence increasingly shows that while donors use Aid to create and foster the impression among recipient countries that Aid can help them, Aid has failed to improve the situation of the poor as it has promoted the real interests of donors. On the other hand African countries are compelled to accept Aid as a result of their continued weakness and economic vulnerability and in view of their urgent short-term needs.

On the part of the African countries economic justifications for Aid relate to a perceived inherent lack of capacity of the continent to rescue itself out of the quagmire of poverty and crisis in which it is trapped. In this respect Aid is expected to help provide a wide range of social and economic services including transport, communications and physical infrastructure for a strong industrial sector and therefore, favourable conditions for the improvement of the living standards of the people.

In view of the fact that foreign Aid has undermined decades of collectively negotiated governance processes in Africa, destroying the values that held societies together in favour of outsider definitions of leadership style it can not therefore cannot successfully enforce appropriate governance on the continent.

Against the background of various global activities to eradicate poverty, measures introduced by the IMF and WB to developing countries such as Structural adjustment programmes (SAPs), the Enhanced Structural Adjustment Facility (ESAF) of 1987, the Poverty Reduction and Growth Facility (1999) and recently the Poverty Reduction Strategy Papers have failed to reach their intended objectives. Despite these interventions, the impoverishment of the majority of the world's inhabitants has continued apace. There is growing consensus on the failure of the policies of the IMF and the World Bank to reduce poverty, such as Poverty Reduction Papers and on the need for alternative policies that make a real difference to the lives of poor people.

While Aid should bring development to Africa, in reality both Aid and debt are working as instruments of control and domination of African countries by developed countries. Debt servicing continues to drain public budgets, leaving Aid investments without adequate support in the form of counterpart funds and additional domestic resources to operate and maintain facilities. Unsustainable Debt and Aid are the products of an Aid regime that is driven by imbalances of

global power. There is need for Debtor countries to take more proactive positions and demand that donor countries to use all Aid to write off all loans to poor nations so that a zero-debt-crisis development option: "No Aid, No Debt" is created.

CHAPTER 2

Motivations for Aid

2.1 Justifications For Aid

In theory, foreign Aid should redress capital deficiencies (financial, physical and human) in poor nations as well as boost local demand and supply. Donors expect Aid to perform two critical functions; firstly, that it should induce policies and programmes that lead to improved economic performance. Secondly, Aid should facilitate the implementation of programmes that promote improved economic performance. In reality however, Aid has other motivations. What makes the motivation of Aid concept particularly complex is that Aid is situated within the context of donor countries' development co-operation policies, which in turn are defined by their foreign and security policies. In this paper, we explore the real motives behind foreign Aid and how these motives undermine ownership and therefore sustainability of the African development process. Evidence increasingly shows that Aid does not only fail to improve the situation of the poor, donors also use it to create the impression among recipient countries that Aid can help them, while it really serves their own interests. As a result of their continued weakness and economic vulnerability and in view of their urgent short-term needs however, African countries are compelled to accept Aid under difficult conditions

The reasons for providing donor Aid are varied and complex. Economic justifications for Aid are, on the part of the African countries, related to a perceived inherent lack of capacity of the continent to rescue itself out of the quagmire of poverty and crisis. In this respect Aid is expected to help provide a wide range of social and economic services including transport, communications and physical infrastructure for a strong industrial sector and therefore, favourable conditions for the improvement of the living standards of the people.

The Pearson report (1969), on the other hand notes that the purpose of Aid was "to help poorer countries move forward in their own way into the industrial technological age so that the world will not become more and more starkly divided into the haves and have not the privileged and the less privileged."¹ The use of the phrase "poorer countries" means that at the time, donors were more concerned with the poverty status of *countries* rather than that of the *people*. As one commentator put it, "Helping countries to raise their overall level of economic development was the primary aim of Aid. Countries first, and the peoples of those countries only indirectly, was the hallmark of bilateral (country -to- country) Aid. By 1975, the emphasis of donors had gradually shifted from assisting countries to helping the people themselves. This was reflected in a British Government White Paper entitled "More Help for the Poorest" which argued that British Aid would "give an increasing emphasis to the poorest countries (and, furthermore) the government accepts that more should be done to ensure that a higher proportion of British Aid should directly benefit not only the poorest countries but the poorest people in those countries."²

¹ "Why Aid?" The Pearson report in 1969

Notwithstanding, this notion has by far outlived its usefulness and the evidence on the ground shows that Aid does not really help the poor. While donors have used this argument as an alibi so that recipient countries believe that Aid is intended to help them, Aid has tended to serve the interests of donors often at the expense of the interests of the people in recipient countries.

2.1 Tied Aid

Aid tying is a practice relating to attaching of specific provisions to the granting of Aid. The practice of tying aid is widespread, with many private companies in donor countries tying their goods and services to the Aid to developing countries by their governments. Thus, aid tying becomes an important tool for corporate interests in donor countries to pursue, establish or consolidate markets in developing countries, in addition to insulating procurement procedures in recipient countries and national markets against competitive forces. Evidence suggests that for instance in 1997 over 50% of \$26 billion in global overseas development assistance provided by European Union member states was tied to goods and services from donor country companies. Technical Cooperation, which falls within the 'services' aspect of Aid tying involves the use of technical experts and consultants from donor countries to do work in developing countries.

The use of technical cooperation experts, which is based on a perceived shortage of expertise in recipient countries, often creates problems where many solutions prescribed by these experts fail to account for local social, cultural and technical factors. Firstly, the deployment of foreigners in development depresses the employment of local consultants in the same fields. In addition, the application of inappropriate foreign solutions and technologies to African realities and problems explains the failure of many development programmes on the continent. Technical cooperation programmes also add to the vicious cycles of economic and technological dependency worsening the crises that developing countries face. In 1996 over 25% of donor Aid from OECD countries was given in the form of Technical Cooperation³ While Aid tying violates European Commission (EC) law, the EC has taken no formal action to eliminate the practice.

2.2 Aid and Unequal Trade

Despite claims of conventional theories trade has failed as an effective tool in improving the economic performance of developing countries, even in terms of the facilitation of better access to the industrialised countries' markets. The policies regulating international trade are dictated by the same donor countries through the World Trade Organisation (WTO) and these policies continue to frustrate the attempts of developing countries to fully participate and benefit from free trade. An analysis of the characteristics of world trade shows that it is unjust and unequal because industrialised countries impose measures, which obstruct the entry of products from developing countries onto their markets⁶, resulting in unequal competition. Global trade has also witnessed the continued deterioration in the terms of trade for raw materials, which are the main source of foreign currency earnings for African countries. Because developed countries benefit from this state of affairs, they are not interested in changing the relationship where developing countries continue to provide raw materials while they concentrate on high value manufactures. Consequently, developed countries have put in place comprehensive barriers to frustrate the efforts of developing countries to break into market of exporting high value-added manufactured

³ DAC Report 1999

goods and services. The African countries, on the other hand, are finding themselves in an increasingly untenable situation where, because of their unequal trade balance, they are finding it more and more difficult to maintain sufficiently high levels of imports to sustain economic growth. (Brighenti, 2000:26).

Within the context of exploitative arrangements fostered by current international trade regimes, Aid becomes an important instrument ostensibly for global redistributive justice, as it is hoped developing countries use Aid cover for trade losses. However the persistent failure of developing countries to transform from being raw material producers vulnerable to external fluctuations to being finished goods manufacturers is evidence that it is not one objective of Aid to transform economies of developing countries. As a result of the external dependence that Aid engenders, African countries are obliged to import manufactured products from donor countries. Thus, Aid has helped create conditions that perpetuate the uneven relationships and donors continue to maintain or extend their influence in recipient countries through these relationships. The creditors have "infiltrated" most African countries policy making system, gaining enormous influence on the policy directions the country can take. For instance, donor Aid finances more than 50% of the annual budgets of Mozambique, Tanzania, Uganda and Zambia. Conditional Aid on the other hand reduces the volume of trade among the underdeveloped countries (Mende, 1974:87) as they become too dependent on donors and stop trading among themselves. In these different contexts, Aid has become an instrument of domination of African countries by creditors.

2.3 Aid and Politics

During the Cold War, the political motivations for Aid were clearer. Aid was to fulfil political rather than transformational aims. Western countries conditioned their Aid to African countries that espoused the principles of capitalism. Aid was used as a political tool to entice African countries to ally themselves to either of divergent world views. For example, the US only responded to Mozambique's requests for concessional food Aid after it had satisfied itself that Mozambique no longer had close links with the Soviet Union. Some years later, a US State department official explained his government's change of attitude when he said: "We have made it clear to the Government of Mozambique that our Aid ... is political. There are always conditions, although these are frequently not explicit. To improve its relations with us, Mozambique has ... to show its independence from the USSR" (Hanlon, 1991a: 43). With US support, Mozambique was able to negotiate World Bank membership.

According to Claus (1992:29), France has successfully used Aid to keep its former colonies within its sphere of influence. This explains why it channels most of its Aid to Francophone African countries. In 1990, for example, Francophone countries received 61 percent of France's total development assistance (Claus Op.cit). Similar motives guide Britain's Aid policies, which focuses its Aid programmes on Anglophone countries, while Belgium also concentrates on its former colonies – Burundi, Rwanda and the Democratic Republic of Congo. The former colonial powers grant Aid to influence the political and economic policies of their former colonies and to bring them in line with their own interests, and not necessarily to assist them transform and

⁶These measures include quantitative restrictions, the imposition of customs barriers on imports, etc, constitute a form of protectionism in relation to their economies.

become independent, equal partners.

With the end of the cold war, political issues have been relegated to second place in relation to economic issues although political factors are still being felt at a different level as donor countries add new conditionalities which include the observance of good governance, transparency, participation and respect for human rights. These new breed of conditionalities are now seen by critics as attempts by developed countries to impose their own subjective interpretations of these concepts to suit their political interests.⁴

It is increasingly clear that the motives of Aid are not to promote growth and development in African countries. Instead, donor countries have their own priorities which are not always in line with those of recipient countries. But because of their continued economic weaknesses and often urgent short term needs, African countries are compelled to accept Aid under these conditionalities. As Rodolfo (1998) puts it, "Aid as a simple philanthropy does not exist, there is always some political interest, although this does not seem to be explicit"⁵. In fact, these political motives for Aid are related to the possible negative consequences "of political, ideological and economic inequalities between African and developed countries for world peace and security". Rodolfo adds that because the world has become a global village, political and social instability due to economic factors in one country can easily centre stage and spill over into other countries.

2.4 Conditional Aid

The period in which Aid to Africa reached its peak coincides with that when commercial banks in the rich countries recorded large deposits of money mostly from the Organisation of Petroleum Exporting Countries (OPEC). At the time, OPEC was more interested in lending to countries than they wished to develop themselves" (Brighenti, 2000: 12). The countries providing Aid looked at it as an investment opportunity, while the African countries that borrowed were happy to get the money at the low to negative interest rates then prevailing. African countries were also encouraged to borrow by the high prices their mineral and agricultural exports were fetching on international markets.

Until the beginning of the 1980s western commercial banks continued to provide huge loans to African countries. But the debtor countries were not achieving levels of economic growth sufficient to enable them to repay the loans. It was in this decade that African countries, including Mozambique, declared their inability to pay their debts (Abrahamsson 1994). This marked the beginning of the debt crisis.

To save their banks from bankruptcy, western governments focused attention on making African countries pay their debts. The IMF and World Bank played a critical role in facilitating this process by attaching *conditionalities to their loans* (Hanlon B, 1997:24). For instance, major bilateral donors could only provide Aid to developing countries with agreements with the IMF and World Bank. These agreements presuppose that the country is implementing a SAP to stabilise its economy.

⁴ see governance and Aid discussion in the next chapter

⁵ Rodolfo interview on 02/05/2000

It was hoped that once the economy was stable, the African countries would be able to generate sufficient money to pay off their debts.

In recent years bilateral donors have ceded much of their decision-making power on programme assistance to low income countries to the IMF. The IMF has become the "gatekeeper" which certifies that a country's macroeconomic management policies are sound and that it deserves support. Without the IMF seal of approval, a developing country will not get any assistance from other donors. Controversy over IMF influence is not so much over its concern for effective macroeconomic management - the maintenance of macroeconomic stability (i.e. internal and external macroeconomic balance) but over such matters as the pace of change, the sequencing of policy reforms, the degree of reliance upon the market, the distributional impact of changes, effects of exogenous shocks, political feasibility, and continued or increased poverty.

Donors can also guarantee markets for their products, which are not competitive on the international market, through tied Aid. Under these conditions, recipient countries cannot make the best use of financial resources they receive as tied Aid forbids them from sourcing goods from markets other than those of the donor.⁴ Even tighter limits are being set for the use of grants (Mende, 1974:69). A negative aspect about tied Aid is that, recipients are obliged to buy spare parts from the donor country, even when the prices are not competitive. This will continue even after the concessional funding through which the equipment was acquired has expired.

Equally, donors effectively use food Aid to promote their interests. For example, when donors receive requests for emergency food Aid, instead of providing the staple food of that country, they sometimes respond by donating food that is not produced or even consumed in the recipient country (Rodolfo, 1998:4.). This depresses demand for local goods whilst worsening import dependency.

This situation benefits donors as it opens up and guarantees markets for their products. Thus, donors achieve what was probably their principal objective when they responded to the request for food Aid. For the products of the recipient country this could mean a reduction of traditional markets (Arnold, 1985: 167). Food Aid can become an effective disincentive for national agricultural production, with negative consequences for the food self-sufficiency. Food Aid can also destroy the viability of local farmers producing the same products as they cannot compete with food donations dumped on their markets and therefore experience a sharp decline in the value of their sales.

⁴ The monopolistic tendency arising from conditionality allows for the setting of high prices in the donor country, compared to those acquired in other markets. Thus, the recipient Country is obliged to purchase the goods or services in reference often at higher prices compared to that of the international market.

CHAPTER 3

Aid and Debt Undermine Ownership of the African Development Process

3.1 Introduction

Since the advent of the African Debt crisis in the 1980s and the onset of various Debt Relief Initiatives, development Aid has had a strong link with Debt. During the past twenty years Aid has been diverted from activities that could have assisted in building the capacity of indebted countries to grow and develop sustainably so that they can repay their loans. Aid has become a tool of primitive accumulation on the part of the donor countries. Although Debt and Aid issues are generally treated separately, the two indeed have strong underlying synergies that undermine Africa's development in the long term. As acknowledged in the New African Initiative, the limit of donor driven Debt Relief initiatives has now been reached and a new partnership in the international community is required to ensure that Africa removes itself from the dependency syndrome that the current Aid regime imposes on it in the name of goodwill.

In this short discussion paper, we try to pursue these arguments and re-enforce the earlier arguments in the Motivation paper that Africa will have to be more proactive and move out of the quagmire of underdevelopment and poverty while the north has to re-examine the motivations for development Aid to secure the desired and responsible goals for Aid. The synergy between Debt and Aid needs to be better understood, positive aspects strengthened whilst negative ones done away with, if the sovereignty of the continent is to be restored and poverty attacked meaningfully.

3.2 Perpetuation of the Debt Crisis; Creditor Inability and Unwillingness to Solve the Problem

There is now clearly no doubt that there has been unwillingness by the donor countries to solve the African Debt crisis in a meaningful, comprehensive and definitive way. The HIPC Initiative continues to be totally inadequate and unable to solve the problem. If anything, the HIPC Initiative itself indicates that countries will be deeper in debt one year after the so called completion point. It has rightly been noted by the New African Initiative that since the 1970s African countries accession to the institutions of the international community Credit and Aid have been important relationship. However, Credit has led to the Debt deadlock and has continued to hinder the growth of African countries while Aid has created a dependency syndrome in which Africa remains the victim.⁵

The recently ended Third United Nations Conference for Least Developed Countries held in Brussels in May 2001 makes clear this point:⁶ The open Call made by the representatives of the Least Developed Countries (LDCs) for Debt cancellation was met by no Debt cancellation but some promise for more development Aid. This was in spite of the fact that the Conference had

⁵ The New African Initiative incorporating the Millennium partnership for the African Recovery Programme and the Omega Plan

⁶ The Third UN Conference on LDCs, Brussels 14-20 May 2001. UN General Assembly document A/CONF.191/11

already accepted the understanding that the external Debt overhang in the majority of the LDCs (the majority of whom are in Africa), continues to constitute a serious obstacle to their development efforts and economic growth prospects. Scheduled debt service takes up a large part of scarce budgetary resources (more than 40% in cases of Zambia and Tanzania) that could be directed to productive and social areas and the Debt overhang harms the internal and external investment climate. The Conference also noted that the situation is aggravated further by external financial turbulence, volatility of export earnings, and increases in the prices of essential imports. The inability of the Donors to address the Debt crisis of the LDCs was a clear testimony of their unwillingness to find a solution. Indeed the approach has reached its limit as some of the issues discussed in this report clearly show.

- (a) Over the years Sub-Saharan Africa's Debt has grown to be graver than that of other regions of the world in three aspects. Firstly, the ratio of Africa's total debt to total export earnings has been rising more rapidly than those of other regions, rising to become the highest in 1987. Secondly, the ratio of Africa's total debt to Gross National Product (GNP) has grown rapidly to become the highest since 1986. Thirdly, despite incurring the highest growth rates of borrowing, African economies have grown slower than those in other developing countries⁷

Table 1
SUB-SAHARAN AFRICAN DEBT TRENDS
1980-1998

Year	Debt Service to Exports %	Debt to Exports %	Debt to GNP %
1980	10.8	85.0	23.5
1981	14.2	123.0	29.2
1982	17.8	177.2	34.4
1983	22.9	214.5	40.4
1984	26.9	207.7	41.9
1985	34.7	217.6	43.4
1986	39.4	326.3	74.4
1987	23.8	365.9	101.1
1988	25.8	340.6	97.7
1989	20.3	299.9	108.0
1990	20.6	278.4	107.7
1995	14.7	269.8	-
1998	15	-	-

Sources: Carol Lancaster and J. Williamson (eds) African debt and Financing page 28-46 and World Bank, World Bank Debt Tables: External Debt of developing Countries (Washington D.C, 1989).

⁷ Mengisteab K. & Loga B.I. 'Africa's Debt Crisis: Are Structural Adjustment Programmes Relevant?' In Africa Development Volume XVI No 1 1991

The long term external viability of Africa lies not so much in increasing its access to more dev-development Aid or loans but to using the external financial resources towards creating and enhancing productive capacity. The Debt burden has been identified as one of the problem areas, which need to be tackled in order to release resources for human development.

- (b) Although there has been significant debt forgiveness under the Paris Club group, the rescheduling and capitalisation of the debt in this group has instead contributed to an increase in the debt burden. Some estimates put this at US\$31 billion for Africa. Apart from the very undemocratic nature of Paris Club (donors in one group against one single African country) debt relief initiatives under the Club have not solved the Debt crisis.

The Toronto Terms, intended to restructure at least US\$6 billion of debt, only managed to restructure that of Zaire and left behind more problems than solutions. The entire debt of a country could not be rescheduled in a single round of negotiations. The overall debt burden was extended and increased, and negotiations were time-consuming, without benefiting the debtor country. Attempts to improve the Toronto Terms at the G7 Summit of September 1991 were not successful. They were undermined by the unilateral action of the USA in April 1991 to grant more than 50 percent debt forgiveness to Poland and Egypt. The motive for Poland can be assumed to have been an attempt to lure it into the NATO camp and for Egypt, a reward for its role in the Middle East peace process. The motive for debt forgiveness is clear here but what is also clear is that debt forgiveness depends entirely on the political will of the creditor. This political will has not been forthcoming for Africa; at least no more than necessary to keep Africa bonded to the creditor!

The so-called Naples Terms, which were approved by the G7 in Naples in 1994, would have offered 27 of the poorest nations a 50 or 67 percent reduction in NPV terms for specific parts of their eligible debt and essentially could have offered an EXIT package on the bilateral debt. The Naples terms however, were the first to link Aid and debt conditionalities by imposing the IMF conditions. These were that for a debtor country to benefit it would have to have: a satisfactory track record with the IMF over three years; satisfactory Paris Club track record of repayments over four years; confidence of all its creditor countries that it would meet future obligations; agreement from all creditors on a common strategy towards the debtor. Until now, the Naples Terms have been implemented only on the basis of the goodwill of the Creditor. Such a power imbalance that works so clearly to disadvantage developing countries is no longer acceptable.

In 1996 western government creditors launched, under the aegis of the World Bank, a debt cancellation initiative-the Heavily Indebted Poor countries (HIPC) initiative. As part of this initiative 41 countries were identified as effectively insolvent, heavily indebted poor countries or HIPC's, and therefore qualifying for debt relief. However to date, the HIPC-I Initiative (now in its second phase of the Enhanced HIPC or HIPC II, and despite the fact that there will be a HIPC III in the next year) real achievements in terms of debt stock reduction and relief in African and other developing countries are insignificant. The solution to the Debt crisis is nowhere in sight.

By June 1999, a minuscule 2.6% of the debts of 41 countries had been written off, and four countries-namely-Uganda, Mozambique, Guyana and Bolivia- had received some debt relief. Relief to Uganda and Mozambique was negligible, reducing debt service from US\$166 million to US\$149 million and US\$113million to US\$110 million respectively. In fact Debt service paid by the poorest most indebted nations of the world rose from US\$25billion a year to US\$28billion in 1998. Mozambique and Zambia have been noted to illustrate this point. When Mozambique became the first candidate under the HIPC initiative in 1996, it was thought that the debt relief package would finally liberate the country from debt bondage. But, by 1998, Mozambique, saddled with a \$6 billion debt, found itself repaying more than \$100 million a year in debt service despite a write-down of approximately \$1.4 billion in debt owed to the IMF and the World Bank. The actual relief amounted to only just a bit more than \$10 million a year, leaving Mozambique to continue servicing the debt at the level of more than 20 percent of its foreign exchange earnings.⁸

- (c) HIPC-II, established after the Cologne G7 Summit in 1999 is already experiencing a number of problems, the critical one being its financing or rather, finding money to refinance the old loans. The lack of sufficient resources to fund the initiative has been an ongoing concern of both the World Bank and the IMF, both of whom look to the donor governments to secure budget appropriations from their Parliaments. Since debt relief is projected by the governments to their Parliaments as a cost beyond annual appropriations for development aid (even if this is not necessarily the case because in any case development aid is used for securing loan repayments also as is discussed below) Parliaments see Debt relief appropriations as a rather costly affair and they are generally reluctant to offer more. This would seem to suggest too that the general public in the donor countries are themselves rather reluctant to see a solution to the Debt problem. The lack of success of the Jubilee campaign in the North could suggest that the majority of the tax-payers in these countries do not agree with Debt Relief in the fashion presented by their governments (refinancing option). Governments and tax-payers in the north need to see the Debt relief issue as not a refinancing issue. That way laws could be passed to deal with this global responsibility.

This then raises the immediate question of whether or not bad Debt must be refinanced, especially one that is unpayable due for instance, to inability to pay or for whatever reason. Refinancing only implies the political and financial need to keep the loan on the books and benefit from it later. Strictly speaking, it is a form of primitive accumulation; making profit from a loan, which had a negative rate of return but suddenly, becomes profitable via the Aid machinery!

- (d) It is a given fact that the current HIPC Initiative does not address debts that are owed by HIPC countries to non-Paris Club creditors and which have not been rescheduled or serviced at all for a long period of time. Consequently, the debt-sustainability ratio

⁸ Joseph Hanlon, "New Official data shows Mozambique gains little or nothing from debt relief", Jubilee 2000 Coalition, 4 June 1998.

proclaimed to be the measure of indebtedness is misleading, since the actual debt situation of these countries is worse than is apparent. Even if all the Paris Club and multilateral debt were to be eliminated, it is more than likely that some HIPC countries who owe large sums of money to other HIPC (e.g. Tanzania being a creditor to Uganda) and non-Paris Club countries will fall right back into 'debt' since the current approach is silent on how to address non-Paris Club debts.⁹

More could be said but indeed the above is the simple reality in which Africa finds itself. It is the challenge of all and most of all for the Africans to surface out of this dilemma and not take it as given. In its unwillingness to find a solution to a clearly identified problem of Debt the North has failed Africa in this regard.

3.3 The Aid distortions:

Despite the rhetoric and self-interest surrounding calls for the increased Aid flows to Africa, the reality is that Aid has failed to work for the continent. Instead, Aid has been used as a tool to impose development paradigms, expenditure and investment patterns and even forms and concepts of governance that have left Africa trapped in an Aid syndrome which only begs more development Aid. While the arguments for increasing the effectiveness of development Aid may have some good meaning, the very existence of the Aid trap and dependency begs more serious analysis and solutions. It is extremely encouraging to note that the New African Initiative notes that Africans should not appeal to further entrenchment of dependency through Aid.

Since 1993 the Reality of Aid Project, through publications of documents has shown that something useful could have been achieved if Aid had been well directed, especially at creating productive capacity, stimulating local demand and therefore increasing local productive capacity and productivity and employment. Other studies have also shown the dark side of the Aid regime. The issues discussed in this report are by no means new; they are the undeniable sentiments that many Africans express as they increasingly become aware that there are some underlying factors that disable Aid to be as effective as they would like it to be since the concept of Aid evokes notions of a positive ideal.

It has become increasingly clear since 1970s that Development Aid is situated in foreign Aid policy which itself is situated in a donor country's development, security and other strategic interests. Thus development Aid has largely served commercial, political, economic and strategic interests of donor countries. Most visible is the role of Aid for political imperatives. As has been noted in Chapter 2, political allegiances during the cold war period influenced flows of Aid in directions, which were not necessarily developmental. For example, the United States of America only began to provide food Aid to Mozambique to firmly establish its presence and counter the encroaching Soviet influence in the region. In more recent times, France has successfully used aid to keep its former colonies within its sphere of influence by channelling most of its aid to

⁹ Under the enhanced HIPC framework, the present value of debt is to be reduced to a maximum of 150 percent of exports (as compared with a range of 200-250 percent under the original HIPC) and 250 percent of government revenue (previously 280 percent). The amount of debt to be delivered is determined at the decision point, based on actual data.

Francophone African countries¹⁰. Similar motives guide Britain's aid policies, which focuses its Aid programmes on Anglophone countries, while Belgium also concentrates on its former colonies – Burundi, Rwanda and the Democratic Republic of the Congo. The former colonial powers grant aid to influence the political and economic policies of their former colonies and to bring them in line with their own interests. This finds returns in political support in the politics of the donor country. In the context of the African cultural norms the returned favours are not based on the content of the original favour but simply on the idea that a favour had been initially extended. The quality of the favour is not evaluated for its impact.

Refinancing of old Debts is one of the biggest problems in the Aid and Debt synergy. A review of debt relief initiatives might set the basis for a solution. The Brady Plan of 1988 was introduced to enable poor countries to get rid of their debt to commercial banks of the donor nations. Through the IDA Debt Reduction Facility and additional donor money from Canada, France, Germany, the Netherlands, the US and the EU, a total of US\$116 million was used to discharge a US\$814 million debt to commercial Banks. But in this instance, Aid was used to secure the interests of the donor countries by balling out their Banks. Aid money, which was supposed to spur development, was redirected to non-performing loans and institutions. Proponents for this always find well-meaning reasons to defend such actions but the reality is that the money was used to save the Banks from collapse and not for Africa's development.

Current evidence indicates that given that the larger percentage of current LDC Debt is actually Public and Public Guaranteed Debt (more than 90%), the pressure on the Government budget for loan repayments is extremely high with as high as 40% of Government budgets being directed to loan repayments. Again here development Aid comes in for budgetary support aimed at debt service.

It has been shown that during the 1990 until now, the following patterns of the relationship between Debt and Aid has been the case:

Multilateral debt repayment problems have largely been met by refinancing of old loans. This has been a common practice in which IDA resources, the only real concessional resources Africa can manage to secure for development purposes have been used to liquidate the old IBRD (the non-concessional window of the World Bank) loans and also the old IDA loans. The use of IDA resources for such purposes excludes the use of these resources creating new wealth and viable economies.

Aid inflows into many African countries have followed the path of Debt service. Thus donors who are also creditors provide Aid that then can be used for loan repayments. Based on various studies which show that both official and multilateral disbursements are highly correlated with total debt service, UNCTAD has shown that the more debt service a country a country has to make the more official finance it will receive. (UNCTAD LDC Report 2000 page 123). Apart from the refinancing of multilateral Debt this process has more recently been obvious under the

¹⁰ In 1990, for example, Francophone countries received 61 percent of France's total development assistance (Claus Op.cit)

HIPC Initiative where contributions to the HIPC Fund (e.g. in Uganda) was based purely on matching loan repayments until the country becomes sustainable.

Some of the arguments, which have been advanced for possible preference to refinancing of loans, include the fact that, although it has been noted by various analysts that this pattern reflects "defensive disbursements" by creditors designed to ensure that continued Debt service of their own old loans, to avoid embarrassing arrears and to avert growing risks of documented development failure. Accounting reasons have also favoured refinancing approach this means that loan repayments are at an artificially higher level than the countries capability to repay. This avoidance of arrears however has two serious implications:

For Africa however, this relationship poses more complicated situations.

- (a) Firstly, Aid is used to maintain loans that would otherwise not be on the books because they would be unpayable and would have had to be written off. This implies that Aid is used as a form of maintaining indebtedness of African countries. Secondly, Aid is used as a tool of primitive accumulation; Thirdly, Aid used for loan repayment undermines the very essence of Aid, to create new wealth and productive capacities and therefore new wealth and enhanced external viability. The unwillingness of the Donors and therefore Creditors would indicate a negative motive of undermining African development and to keep Africa indebted and in an Aid Trap; and Fourthly, This Aid-Debt Link exonerates the Creditors from failures of their development interventions. Thus the blame of failure gets shouldered by the Debtors.

These implications are more serious than just seeing the issue as being one in which the donors or Creditor governments having or taking away with one hand and giving with the other (Killick and Stevens, 1997)

- b) The Aid regime is a conditionality regime offering money in a manner designed to secure the interests of donor countries. Poor countries are subjected to collectively imposed conditionalities through the IMF, to whom donors have surrendered their decision-making power. The IMF is the gate-keeper, ensuring for example, that all poor countries liberalise and privatise, and enable companies from the donor countries to own their assets. Privatisation is not necessarily the answer to improving the efficiency of enterprises. Zambia's have paid heavily for the privatisation of the copper mines, just to ensure that foreigners own national assets in the name of increased productivity. A review of privatisation in Africa shows sad results. The IMF and the World Bank conditionalities are undesirable. This has been well documented in relation to SAPs and is clear from the IMF's Benchmarks (see www.imf.org). Recipient government officials are despondent about this but they succumb because of the pressure to meet short-term economic targets to qualify for donor money (e.g. balance of payments support) even if this does not contribute to long-term development.

The Mozambican case illustrates this conditionality regime even further in the context of the synergy between Aid and Debt: the case of a confidential World Bank report of March 1998 that was never disclosed to the parliament or civil society where the government had agreed to implement several macroeconomic conditions, including the

privatization of municipal water, in order to receive HIPC Debt relief. Public outcry over the terms of the conditions for debt relief, particularly the pressure by the Jubilee 2000 movement, led to slightly greater concessions in mid-1999. Average debt repayment was expected to decline to \$73 million a year between 1999-2005 as opposed to \$114 million a year between 1995-98. To get the additional relief, the government agreed to implement 71 new conditions imposed by the IMF, including a prohibition not to resurrect the cashew-processing industry using traditional industrial policy tools.

And therefore increasing Aid flows to cover the debt repayments under these circumstances would only increase conditionality and therefore further undermine the sovereignty of African countries.

- c) There is a good reason to argue against any regime that distorts and undermines good governance, as is the case with Aid. Aid has tended to enrich the political and economic élite, to strengthen central Government institutions in relation to local government structures, to benefit men more than women and urban areas more than rural areas. But by so doing it has increased polarisation among different groups in society. Again as noted by the World Bank, "a typical poor country receives 90% of GDP through Aid, but the poorest quartile of the population consumes only 4% of the GDP".¹¹ It is a well-known fact that Aid reaches less than 10 percent of the African population (the elite, mostly men, and in urban centres) and is claimed to be of benefit only to those who actually benefit from it directly. The real question is how development Aid can be broadly accessed by the poor.
- d) Development Aid has clearly undermined Africa's development initiative such as the Lagos Plan of Action of 1980, the Alternative Country Plans developed by Zambia and Tanzania when they broke relations with the IMF in the 1980s; the UN-led African Alternative to Structural Adjustment of 1989. These and other programmes through which Aid recipients tried to develop and formulate new development agendas were not taken seriously because they promote African self-reliant development. They have been denied development finance support in favour of the World Bank and IMF imposed Structural Adjustment Programmes even though these have been disastrous for Africa. These issues must be fully addressed if Africa is to break the impasse of its underdevelopment. Will development Aid stand up to the imperatives of the New African Initiative and the African Union as means of African development?

Because Aid has not been able to spur sustainable development, it has created a dependency syndrome. In countries such as Tanzania and Zambia, the failure of Aid (among other things) to address development problems has led to calls for more Aid, which instead of addressing the problems perpetuates dependency. It is important to

¹¹ Ibid. 1999

note though that the Aid trap has also been entrenched by African Governments who succumb to the political demands of fulfilling short-term political demands. Thus instead of looking for longer-term solutions, they opt for short-term answers, which on the other hand tend to have adverse long-term developmental impacts.

3.4 Aid/Debt Synergies that Suit Creditors

Both Aid and Debt have played very clear roles in the relationship between rich creditor countries and poor debtor countries:

- a) Aid is used to create and dismantle debt. Both are controlled by the creditor countries without the participation of the debtor countries. This goes against the rhetoric of partnership and yields to the fact that the real motive behind Aid and debt is to promote the commercial, political and other interests of the 'donors'.
- b) Both Aid and debt negotiating mechanisms use conditionality to activate actions that benefit the rich countries. They impose unworkable and unacceptable ideas about how people in Africa should live through the IMF and World Bank and undermine local thought processes for their benefit. Creditor countries maintain a firm grip on developing countries by using two instruments – Aid and debt – for the same purposes. Debtor countries have to find a way out of this exploitative grip.
- c) The so-called 'Aid Syndrome' is in fact an Aid Trap, similar to the Debt Trap. The Aid Trap makes it difficult to envisage development without Aid. The Aid Trap is made up of the cycle of tied Aid, technical assistance, lack of activities in sustainable long-term development, which then reproduces the Aid cycle and increases the productive capacity of donor industries and increases the Aid labour pool. In the process, it undermines development in debtor countries, which then requires more Aid.
- e) Debt is a more visible surplus extraction mechanism through which people are made to pay for what did not benefit them. That surplus is consumed by the donor country. Equally, refinancing unproductive loans is a way of primary accumulation by donor countries as well as being a mechanism to maintain the accumulation cycle at no expense to themselves. Surplus funds in creditor countries become very profitable when invested through the Aid machinery.

The negative aspects of unsustainable debt and Aid are the products of an Aid regime driven by the imbalances of global power. Both Aid and debt reproduce global imbalances that should be addressed. Debtor countries should take a more proactive stand in this since creditor countries do not seem to have the interest to do so.

3.5 Can there be a Trade-off between Debt and Aid?

The synergy between Aid and debt requires further elaboration. From the outset it is clear that the co-existence of Aid and debt reinforces Aid and Debt traps. Both Aid and Debt are tools that

donors use to manipulate recipient countries. From the foregoing, and on the basis of experiences over the past 30 years in Africa, the following measures are suggested to redress the situation:

- Debtor countries should form a Debtor Cartel to repudiate loans and establish the basis for a more equitable and democratic framework to negotiate debt and Aid exit mechanisms as well as Aid/debt trade-off mechanisms.
 - Donor/Creditor countries should use *all* Aid to write off *all* loans to poor nations and so create a zero-debt-crisis development option: 'No Aid, No Debt'. Donor countries should reduce and eliminate trade barriers to manufactures of poor countries, to increase their external viability in the context of fair trade.
 - New global mechanisms to redistribute financial resources from the richer to the poorer regions of the world should be developed under the UN system to replace current Aid regimes.
- (a) De-link HIPC debt relief from the PRSP process. Real national ownership of poverty reduction frameworks can only happen if the threat of 'conditionality' by the IMF and the World Bank is removed from the backs of vulnerable governments. Linking debt relief to the preparation of the PRSP removes the 'autonomy' of countries to come up with a framework that clearly makes the connection between macroeconomic policies and poverty reduction goals explicitly. This requires time, research, and exhaustive consultation with broad sectors of their populations.
- (b) Recalling the report of the Secretary-General on the subject, efforts must be made to open up new rounds of talks to come up with a lasting solution to the crushing debt burden of many poor countries, including the HIPC countries. The new rounds of talks should start with a clear commitment that all debts owed by the HIPC countries will be written off with no conditions; and that the list of eligible countries should be expanded to include countries that previously failed to enter the HIPC process because they failed to submit to IMF conditions on time.
- (c) Abolish the IMF Poverty Reduction and Growth Facility (formerly ESAF) since this is merely a financing facility paid for by bilateral donors to clear up the debts owed by HIPC governments to the IMF. The Fund can clear up debts owed to it through gold sales (revaluation process) rather than through voluntary contributions from bilateral donors. Bilateral resources going to the PRGF should instead go to either of the following: fund additional bilateral debt relief, increase bilateral aid, or directly fund targeted programs, such as HIV/AIDS, girls education, post-conflict reconstruction and rehabilitation in HIPC countries.

Effectively this means that both rich and poor nations should establish workable global governance structures within which to negotiate Aid/debt trade-offs and developed countries should open up their economies to fair trade for external viability to remove both the Aid and debt traps. Donor creditor countries should keep their Aid and use it as grants to write off the debt owed by poor African countries. African regions on the other hand should repudiate all bad debts and put up for arbitration, under international law, all unpayable debts. The net effect of these options is the elimination of Aid and debt, as they are both based on and reinforce inequitable power relations that contribute to global imbalances. Aid should instead, be replaced by grants from the richer to poorer regions of the world as part of global redistribution of resources.

Concluding Remarks

While Aid should bring development to Africa, in reality both Aid and debt are working as instruments of control and domination of African countries by developed countries. Debt servicing continues to drain public budgets, leaving Aid investments without adequate support in the form of counterpart funds and additional domestic resources to operate and maintain facilities. Therefore, donor countries should use all Aid to write off all loans to poor nations so that a zero-debt-crisis development option: "No Aid, No Debt" can be created.

In conclusion, both debtor and creditor countries should work towards strengthening the UN System and establishing other global governance institutions, such as the Global Central Bank, a Global Investment Trust and Transfer Mechanism and a fairer WTO, as suggested by the UNDP Human Development Report (1999).

The main part of this article was drawn from internal AFRODAD research as well as discussions in the Africa Reality of Aid Group, organised by Uganda Debt Network in Jinja during 2000 and later by AFRODAD in Harare in during August, 2001.

CHAPTER 4

Governance and Aid

4.1 Introduction

External Aid cannot successfully enforce appropriate governance in Africa because it has no respect for indigenous concepts of leadership within recipient societies. It undermines decades of collectively negotiated governance processes in Africa, destroying the very ideas that have held the societies together, in favour of outsider definitions of leadership style. During the past decade, the terms - governance and Aid - have become intrinsically linked in the development discourse of Africa. This link was primarily borne out of the push by bilateral and multilateral Aid donors to make good governance a pre-condition for continued development assistance. The concept and form of governance was thus imposed on the development agenda of most African countries as a consequence of their need to obtain external Aid. By providing tied financial support, Aid donors forced African governments to face up to the values of their [donor] governance styles as well as begin to interrogate donor policies and their use of power. Notwithstanding, this has had some positive achievements for governance on the continent. External Aid has paid for many conferences, fora, briefing seminars and national debates on governance in Africa. Aid is also the singular most effective push for gender equity and recognition of women within post-independence economies and legislation for their empowerment and emancipation in all African countries.

However, this paper argues that there is limited scope for improving governance through external Aid because of the divergence in the definitions and conceptions of good governance, lack of ownership of the development agenda by the Aid recipients and the constraints of conditionalities that accompany this funding. This argument is premised on the experiences of African countries over the decade following the emergence of the donor-driven good governance agenda. Using examples from three sub-Saharan African countries - Zimbabwe, Uganda and Nigeria, the paper comments on the relationship between Governance and Aid and

the polarisation of stance between some donors and governments of recipient countries. In relation to ownership and conditionality, development Aid must complement and reinforce indigenous concepts of leadership in order for it to impact positively on governance and development

BOX 1

The negative views from the July 2001 RoA conference in Harare:

- Current regime of Aid creates space for pushing agenda that conform to donors' perceptions
- Overemphasis on macro- level issues benefiting only a few, while micro-issues, which affect majority of citizens are ignored
- Donor keenness to fund IGPs which do not generate any income, but lock people into greater poverty
 - Dishonest claims by Governments and Civil Society regarding the real impact of Aid, due to vested interests.
 - Lack of confidence on the part of the Aid recipients to choose which conditions to meet or reject'.

RoA report, Harare.(2001)

on the African continent.

4.2 Perspectives of Good Governance

(a) The Views of African Civil Society

An overwhelmingly negative scenario of the effects of Aid was expressed during the 2001 Harare Conference on Reality of Aid. This is not surprising, as Africans continue to consolidate their autonomy of political thought on governance and Aid, views from the South¹² have become increasingly polarised from those of the co-operating partners of the North. African civil society and intellectuals speak out with frustration about having to accept or use only externally defined concepts of good governance, encompassing inclusive government, democracy and the rule of law – part of the conditionalities of Aid. African political theorists¹³ have postulated on this point, describing the variety of condescending approaches adopted by the North towards good governance in the South.

African civil society has equally redefined good governance in the citizens' own words. Listening to citizens and the elite within civil society through a Commonwealth Foundation report¹⁴ - *Citizens and Governance: Towards a Good Society*, newer definitions of the concept emerge according to the aspirations of the people. In the report, the citizens saw governance as a "... collective decision making and action in which government is one stakeholder among others"¹⁵.

Figure 1: Citizens' Expectations.



[Concept taken from CF Publication¹⁶ – *Citizens speak Findings from the field*]

¹² Reference is to Global South-used interchangeably with "African Countries:.

¹³ See references and listed IDS Bulletins

¹⁴ See list of references.

¹⁵ From a Survey of 47 commonwealth countries in The Commonwealth Foundation Publication: *The Way Forward: Citizens, Civil Society and Governance in the new Millennium*. 1999.

¹⁶ Ibid. 8 - full description with expectations and indicators/ outcomes – page 22

Their definition underpins the equality of stake holding among stakeholders. Most people see the state as an equal stakeholder in the national governance agenda, in addition to its other roles as facilitator and provider of services. Citizens therefore prefer to see a state which derives its power from the people. The study concludes and says, *"in many parts of the world, citizens have tended to retreat from the public domain, leaving their governments to govern, but paying little attention to what their governments do."* It also confirmed the consensus of citizens' demands for a good society as one where there is provision of basic needs, citizens are guaranteed the freedom of association and participation. This defines good governance. Citizens expect a good government to promote these three basic attributes¹⁷ of a good society. Within this definition, good governance should ideally be responsive and inclusive. It should be defined to underscore the important pattern of complementarity between the roles of the state and that of citizens. The figure below explains this point in view of the citizens' expectations.

Basic needs of citizens *"include food, water, shelter, education, sanitation and health. Without having these needs met, people cannot lead a decent and dignified life."*¹⁸ These are tangible needs or felt needs. The intangible needs are *"respect for the fundamental human rights of all citizens, social justice for all ... freedoms of speech, information, association and assembly."* Association needs were defined as respect for culture and heritage and a culture of caring and sharing in the community. This definition stretches to *"Communitarian"*¹⁹ and associative values and norms based on tradition and cultural heritage...." that uphold traditional systems, patterns of governance and justice. Another aspect of association is the values of fellowship, co-operation, mutual help and support, which build up social capital. Participation means that citizens are consulted on a regular basis, their voices are heard in making policies and decisions that affect them. Public officials also listen to the people regularly, not just when their votes are needed. The government and public officials be free from corruption.

Ordinary citizens rate basic needs as most important to them- particularly the tangible needs of economic goods and social services. They regard their association needs as important because the majority of them find their sense of belonging in upholding their culture and social capital (trust, caring and sharing) which provides the alternative to state social support.

The responses of African citizens indicate that once basic needs are fulfilled, people look to a good society where respect for culture and heritage as well as a caring and sharing culture is nurtured. Citizens harness their sense of belonging to establish an order of governance that is not too alien to annihilate their aspirations, and yet amenable to external influences. It is a consensus that cuts across economic, racial, ethnic, religious, cultural divides and is considered authentic for mobilising African civil society. The potency of this view is affirmed by the total failure of the North to enforce their version of good governance in Africa, on the ideas of multi-party democracy with its *"winner-takes-all"* mentality and donor-centred development agenda.

¹⁷ Ibid 8: The attributes of a good society - basic needs are met, association and participation in governance.

¹⁸ Ibid 8 - taken from page 24

¹⁹ Ibid 8 - a community-based perspective: taken from page 30

Given these expressed citizens' views, the continuing failure of successive African governments to attain 'good governance' becomes an issue of serious concern. It is clear from the African perspective, that the dominant northern group theories regarding world population, economic growth, inequality, poverty, and globalization are inadequate for localized development and poverty reduction. Indeed there is a feeling of hopelessness about the performance of most African governments. The hope is that with the strengthening of civil society, policies will be re-defined to localize development, enhance people's participation and meet local aspirations. Africa must examine this polar divide in the definition of good governance at the highest levels. Co-operating states, heads of governments and international finance need to listen more to people through civil society in order to genuinely commit themselves to consensual terms of Governance and Aid, as stated in the Arusha Declaration (1990)²⁰

Through its publication "Democratic Governance in Zimbabwe: Citizen Power", the Africa Community Publishing and Development Trust ²¹ (ACPDT) provides another definition of democracy in Africa:

"...full participation of all citizens through appropriate institutions in a way which promotes the growth of individuals and the well-being of communities".

This has nothing to do with multi-partyism! It is consistent with the African communal life style and the views from citizens of the African commonwealth states given earlier in this paper.

Looking at these definitions, one notes the failure of projects in the South and the perfunctory role of the governance and Aid linkage. Aid donors do not respect local definitions of good governance. They ignore the value systems of recipient countries while pushing the donor country agenda, mainly to propagate donor country values, definitions and patterns of good governance. Barya²² (1993), contends that western countries have no real desire to encourage good governance

BOX 2

ACPDT'S Community Research

ACPDT's community research summarises this concept well.

"The state as a creation of the people must bear allegiance to the citizens instead of the other way round... it is supposed to be 'governing' instead of 'ruling'. Governance [in Africa] must be a collective process. While ruling is done by a privileged few who are always said to be those up there". -

Recommendations from democratic governance in Zimbabwe: Citizen Power - CF Publication, 2000

²⁰ Arusha Declaration 1990

²¹ Africa Community Publishing and Development Trust publishes community research articles for groups such as The Commonwealth Foundation and International Non Government Organisations (NGOs). The Trust also uses its own materials for community capacity building for self-help projects.

²² Barya, J.J.B. In The New Political Conditionalities of Aid: An independent view from Africa - IDS bulletin vol. 24, no. 1, 1993 Establishes the principle of an emerging uni-polar world clashing with the nature, interests and historical events of African societies. P. 16

in the form of democracy, rule of law and popular participation or inclusive government in view of their support for dictatorships in Zaire, Liberia, Uganda and Kenya in the eighties and nineties, which was under the guise of fighting communism. What this means inevitably is that western countries only render support only when it suits them.

(b) The Views of the Educated Elite

Another African view²³ stems from the educated elite and ruling classes in a post-independence dispensation. While agreeing to the three tenets of a good society and good governance with other citizens, this group varies in degree of emphasis and priorities. Having met their basic needs, the educated elite and influential citizens' leaders emphasise the intangible needs of equal rights and justice more than ordinary citizens. Although the majority of ordinary citizens emphasize tangible, rather than intangible needs, given their preoccupation with the satisfaction of basic human needs, intangible needs nonetheless remain fundamentally important to them as members of society.

(c) A Dominant Group View on Good Governance

From the late eighties, The World Bank²⁴ defined good governance as:

*"The manner in which power is exercised in the management of a country's economic and social resources for development."*²⁵

This definition was unpacked through several projects to Aid recipients worldwide. What followed was a propagation of the western views of governance as democracy and observance of the rule of law. Coming from such a dominant group among International Finance Institutions (IFIs), the definition became synonymous with sound development management, globally.

In the 1980's perceptions of 'bad governance and instability' in Africa took centre stage. World Bank officials who had pioneered the structural adjustment panacea breathed easy on reaching a conclusion that poor governance contributed to the lack of anticipated economic growth in these countries. Thus arguments supporting the need for balanced macroeconomic fundamentals began to be entrenched as key elements for good governance. These conclusions not only assuaged the conscience of IFIs with regard to the huge resources already poured into Africa with insignificant success, it also provided new challenges and direction for the next dispensation of Aid. Armed with that conviction, [that poor governance should be blamed for lack of anticipated development in poor countries] IFIs and donors decided to set political conditionalities [their conception of democracy and pluralism] as opposed to merely economic ones, as conditions for disbursing financial assistance to African countries.

²³ reference to basic needs, association and participation from a Survey of 47 countries in The Commonwealth Foundation Publication: The Way Forward: Citizens, Civil Society and Governance in the new Millenium. 19999.

²⁴ World Bank 1992, statements on governance and development, World Development Report, Washington DC

²⁵ Moore, M, in introduction - IDS bulletin vol. 24 no. 1, 1993: p.9

The Development Assistance Committee (DAC) has identified four key components of good governance as follows;

1. *The legitimacy of government which depends on the existence of participatory processes and the consent of those who are governed*
2. *The accountability of both political and official elements of government for their actions, depending on the availability of information, freedom of the media, transparency of decision-making and the existence of mechanisms to call individual institutions to account.*
3. *The competence of governments to formulate appropriate policies, make timely decisions, implement them effectively and deliver services.*
4. *Respect for human rights and rule of law to guarantee individual and group rights and security, to produce a framework for economic and social security and to allow and encourage all individuals to participate.*²⁶

Taken individually, the above definitions of good governance coincide with the southern definitions of responsive government, a vibrant civil process, polity, public trust, equity and justice, dignity and security. These definitions guide states to the core functions of creating an enabling environment for private production and wealth creation, which should provide citizens with economic space to pursue their association needs and participate in self-determination and governance.

One of the points of deviation from the citizens' view of good governance, which is people-centred, is on the definition of democracy and pluralism. African Aid recipients in particular need to examine the pluralistic process to identify what tenets of the basic needs and association needs²⁷ of the citizens are negated by this multi-party external definition. From the African experience, it is clear that multi-partyism, as practiced now has undermined inclusiveness and the participation needs of citizens by creating artificial divisions.

Another point of deviation is the manner in which donors want to impose governance as a conditionality for Aid. This process undermines the decision making power of the recipient countries. Donors are also inconsistent in applying the conditionalities for Aid to protect their own political and economic strategic interests.

These (macro level) have only benefited those who understand market forces and are able to respond positively. Aid has in actual sense deepened gender and class divisions. When the state fails to address social needs and there is inadequacy in public and social service provision, women suffer the most as they take over the responsibilities of the state. As a result of failure of the state to address inequalities brought about by the so called macro economic reforms, disparities, particularly those at micro-levels, grow and the rich become richer as the poor become poorer.

²⁶ IDS Bulletin, 1993

²⁷ Reference to Good Governance triangle -p.4

4.3 Development Assistance: The Governance push and Aid pull

Development Aid has been identified as an important element of real economic development and growth of investment in many developing countries. Many world leaders now consistently speak out against poor governance by Aid recipients. In 1998, the UN Secretary General, Kofi Annan²⁸, wrote;

'UN programs now target good governance, 'safe guarding the rule of law, verifying elections, training police, monitoring human rights, fostering investment, and promoting accountable administration. Without good governance, no amount of funding, no amount of charity will set the developing world on the path to prosperity.

As the turning point towards this increasingly popular agenda, the year 1990 could easily be known as the year that donors took their stand on good governance in exchange for Aid to developing countries. Moore²⁹ gives a run-down of the key statements that benchmark the position of Aid donors with regard to governance styles of the recipient states. Donors proposed a new global agenda for co-operation on the environment, population growth, based on citizens' right to influence their own destiny and limitation of government power. On 14th September 1990, the UN conference on Least Developed Countries (LDCs) published its programme of action, which extended the dimensions of the definitions by stating the role of NGOs in the good governance agenda.

Aid has been a main source of hope for the beleaguered citizens. To be effective Aid must strive to meet the aspirations of the citizens. For example by assisting the state to fulfill basic needs, in the role of a provider, Aid should effectively energise citizens to attain their association needs and ultimately play their part in the demand for good governance from their own state.

Citizens need to be able to articulate their aspirations and their shared vision of good governance. For Africa, this process of citizen empowerment has been a positive development in the governance and Aid agenda. It has mostly been achieved through the intervention of civil society organisations (CSO's) as intermediaries who receive and utilise Aid to strengthen the association needs of society.

However, CSOs have had relative success³⁰ in Africa due to the conditionalities applied to Aid

BOX 3

Benefits Of The Governance & Aid Agenda

Some benefits of the Governance & Aid Agenda are the struggle for:

*Gender equity
Environmental preservation
Civil Society Organisation
Human Rights; and
Racism in Africa*

Interviews. ZWRCN (2001)

²⁸ Annan K, 1998, The quiet revolution, Global Governance, Volume 4. pg 123-38

²⁹ Various sources - The Emergence of the Good Government Agenda: Some Milestones. IDS bulletin, vol. 24, no. 1 1993 p. 67

³⁰ From "A Project Portfolio" - Orsborne, D. 1993 Action for Better Government: A role for donors IDS Bulletin Vol. 24 No 1 January 1993.

funding. At the RoA meeting held in Harare, 2001, participants admitted that issues of gender awareness, voter education, safeguarding the environment have been put on the agenda through Aid. By funding cultural exchange, fora and discussions, Non Government Organisations (NGOs) are able to create awareness on the demands of citizens on the government. This is an example of Aid opening up political space to allow CSOs and citizens to participate in the search for better governance ultimately better lives for all.

Aid to sub-Saharan African countries has benefited women's organisations. Putting gender on the development agenda has seen the empowerment of women and women's groups throughout Africa. Sometimes it is argued that these gains are superficial because the condition of women has worsened in the last twenty years in Africa. While this might be true, it does not detract from the fact that non-partisan political gains of women in Africa re: their recognition in laws and the repeal of discriminatory legislation are visible.³¹

BOX 4

Areas Of Successful Utilisation Of AID By CSOs:

National briefing seminars - providing information, strengthening relationships and developing positive attitudes.

Local radio programmes - Informing and giving voice to people's concerns.

Local newspaper projects - for reaching un-reached groups and providing them with diverse views.

Action against corruption - watchdogs of transparency through NGOs

Protection of Human Rights - support to the police, courts and correctional facilities. To produce fair and just adjudication.

*Support for independence judiciary - i.e. from interference by the State or any others.
(Osborne, 1993)*

Unfortunately, governments have tended to treat NGOs as enemies and have therefore not engaged them adequately for civic empowerment. At the local levels, CSOs play a crucial role in the governance push and Aid pull phenomenon. As Hearn puts it;

"The terrain of civil society is treated like a battle ground, an arena of confrontation between CSOs loyal to the government and 'democratic' CSOs (often donor funded), in which there will be no winners and losers. In a sense, civil society is a realm of capture for either the government or donors."

³¹ Zimbabwe Women Resource Centre (ZWRCN) and the Zambia Association for Research and Development (ZARD)

Organising successful reform and empowerment processes that transform society give rural women greater visibility and inculcates gender equity. This has been possible mostly through external Aid. Examples can be found in Uganda's Literacy and Basic Education programmes (LBE) where an NGO was assisted to partner with the government .

"... to promote literacy and basic education choices for women and men in Uganda by working through and strengthening innovative community initiatives".

Aid to the decentralization process improved participation of grassroots organisations and NGOs such as LBE. Its spin off effects created an agenda for civil society and heightened the role of NGOs in provision of social services and advocacy.

Under the current Aid regime, emphasis is on macro rather than on the micro-level structures. There's greater emphasis on macro economic issues such as Balance of Payments (BOP), macroeconomic policy adjustment (fiscal, monetary, institutional, inflation, etc) from which the people at the grassroots do not directly benefit. Donors are also attracted to large macro-level projects, as they are easier to monitor.³² Consequently problems affecting poor citizens are not addressed. Institutions that are established and the issues from Aid are detached from peoples' needs.

In addition there is no real leadership in relation to Governance and Aid. Southern countries and organisations act alone, and in desperation to maintain much needed financial assistance the traditional sources – from the North. There are also a wide variety of opinions regarding the political conditionalities of AID among them. This makes it even more difficult for African countries to form a critical mass to reject the conditionalities or formulate strategies of negotiation within countries and across regions. Civil society organisations and governments vie for Aid resources from compromised positions where donors can exploit this gap and dictate the terms of disbursement.

African leadership need to review their decision-making processes to ensure that the participation needs of the people are met. Where people participate, they enrich the framework of decision-making. With adequate momentum such people-focus will overcome some conditionalities of Aid and ensure that resources are used in a responsive manner. *Someone has to show the direction and rally other states around. The rich ideas from each country need to be crystallized and purposefully supported in Africa, for meaningful negotiations with Aid donors.*

³² As an example, under the Zambian Public Sector Reform Programmes, amounts spent on revamping the Ministry of Health Headquarters in 1999 could have been used to bolster the nutritional status of one third of the population. Similarly the spending on defence could have been better invested into the local authorities' health and education sector.

Conclusion

External Aid cannot successfully enforce appropriate governance in Africa because it has no respect for indigenous concepts of leadership within recipient countries where good governance is defined in terms of the satisfaction of citizens' demands for provision of basic needs, guarantees of freedoms of association and participation. If donors have the right intentions of development co-operation, they should consider these issues and listen to the southern citizens' voices. Their definitions of good governance should complement citizen's views to achieve the desired and responsive governance.

CSOs have played a significant role in contributing to good governance in Africa through their participation in the governance structures and as intermediaries for grassroots participation. There is a need for improved ownership, leadership and negotiation for appropriate development plans and programmes and improvements in governance in Aid recipient countries. While generally acknowledging that Aid has not been successful in curbing the spate of 'bad governance' in many African countries the blame is on both the donors and the recipient countries. The donors have tended to take the narrow political definition of governance, which only emphasises multi-partism ignoring socio-economic dimensions that ordinarily encompass the fulfilment of citizens' demand for basic needs at the country level as well as the creation of a level playing field at the global level as part of global good governance.

CHAPTER 5

Poverty Reduction Strategy Papers (PRSPs)

5.1. Background

The world has over the past half century witnessed considerable economic and technological progress. This has however, not been accompanied with commensurate human development. Increasingly, inequalities between the rich and the poor present a serious challenge and poverty has become a complex global problem. One quarter of the population of developing countries are still illiterate and infant mortality in low- income countries is over 100 for every 1000 live births, compared to just 6 per 1000 in high-income countries. More than one fifth of the world's population of 6 billion lives under conditions of abject poverty (under US\$1 a day). In sub Saharan Africa, the population living below \$1 dollar per day increased 34% over 1987 to 1998.³³

In one attempt to deal with the emerging global social and economic crisis, 180 Governments of the world gathered at the World Summit for Social Development Declaration (WSSD) in Copenhagen in 1995 and committed themselves to fundamental principles and priorities of economic and social policy. Among other key recommendations, the summit highlighted the need to prioritise employment promotion, eradication of poverty, improved access to quality education and basic health services, gender equity, social integration and non-discrimination in social and economic policy formulation. Importantly, countries noted the need to mainstream social development goals into economic reforms and adjustment programs, and to create opportunities for equitable social development. and the Poverty Reduction Strategy Papers (PRSPs) in 1999,

Against the background of these global developments the activities of the IMF and WB, architects of various reform measures in developing countries, were increasingly under focus. Structural adjustment programmes (SAPs) of the 1980s, the Enhanced Structural Adjustment Facility (ESAF) of 1987, the Poverty Reduction and Growth Facility (1999) were measures introduced, in accordance with neo liberal WB/IMF methodology, to improve market efficiency as a pre-requisite for sustained economic growth and poverty reduction.

Over the decades however, the impoverishment of the majority of the world's inhabitants has continued apace, despite these various initiatives by the IMF and WB. Underpinning global commitments such as the WSSD has been the growing consensus on the failure of the policies of the IMF and the World Bank to reduce poverty, and on the need for alternative policies that make a real difference to the lives of poor people.

³³ World Bank 2001; World Development Report table 1.1

5.2 The PRSP Policy, Framework

With persistent pressure for change growing as the world entered the twenty first century, poverty reduction became the new focus for IMF /World Bank lending programmes and HIPC debt relief. This new approach, built on the principles of the Comprehensive Development Framework, implied that countries design their own development strategies focused on poverty reduction as well as compile a Poverty, Reduction Strategy Paper (PRSP). In principle, PRSPs were a) to be developed in participatory way, b) to be nationally owned and c) to lay out a policy framework and agenda for tackling poverty. In terms of their principal defining characteristics, PRSPs;

- Are summaries of comprehensive long term development plans drawn up in a participatory manner to reduce poverty, which includes a diagnosis of the causes of poverty, prioritisation of public policies to reduce poverty, targets for selected intermediate output and outcome indicators, and monitoring and evaluation systems;
- Are a requirement for debt relief under the enhanced HIPC Debt Initiative when endorsed by the IMF and the WB Executive
- Set out how money saved through debt relief and received from grants and soft loans will be spent on poverty reduction.

The key element of the new approach was the focus on poverty reduction in the administration of the Enhanced HIPC Initiative, which was to grant deeper and quicker debt relief as well as pave the way for new grants and soft loans for the HIPC countries. The Boards of the IMF and WB would approve a country's PRSP before a lending programme is agreed with the WB and IMF. The Boards accept a PRSP on the basis of the coherence of the policy strategy, which is assessed jointly by the WB and IMF in terms of its objectives and policy content. Further, the Boards would also review the extent of governments' consultations with civil society and how governance issues are addressed.

5.3 Impact of PRSPs on poverty reduction

The effectiveness of PRSPs is in question; to date the primary objective of the enhanced HIPC of granting deeper and quicker debt relief has not materialised. While PRSPs were intended to be instruments of poverty reduction and also to meet the development goals of recipient countries it is clear that donors control the programmes. The PRSP envisaged a process led by Government and involving civil society and coordinated largely by donors who would provide budgetary support rather than fund projects. National actions and international cooperation and commitments would therefore facilitate achievement the various goals. Inequality has at the same time moved up the agenda, as its negative effects on growth and poverty reduction have been noted.

The failure of SAPs to reduce poverty was blamed, in part, on the lack of "ownership" of the programmes by countries implementing them. It is probably for that reason that "ownership" has now become an important part of the rhetoric surrounding the preparation of poverty reduction strategies. By "country ownership" International Financial Institutions (IFIs) ordinarily refer to the commitment of governments to implementing the strategies. This is contrast to the concept of ownership, which is in reference to the meaningful participation, and involvement of the people in

the entire cycle of development from policy design, through implementation to monitoring.

In preparing the PRSP governments are expected to show clearly the links between macroeconomic policies and agreed international social development goals to be reached by 2015. The examination of the annexed eight I-PRSPs (Benin, Chad, Ghana, Kenya, Mozambique, Senegal, Tanzania and Zambia) and one full PRSP (Uganda) reveals significant differences in their quality. It also shows that the broad macroeconomic objectives of the majority of the countries studied are inconsistent with the poverty reduction goals. One of the reasons for this inconsistency is the tension between the desire to provide debt relief quickly and the lack of a proper poverty reduction framework. Another reason for this disconnection is to be found in the unequal power relations between indebted countries and the Bretton Woods institutions that manage the HIPC process. Given the fact that the G-7 countries are largely responsible for the agenda of these institutions, G-7 governments are equally to blame for continuing to prescribe faulty diagnosis to indebted countries as the World Bank and the IMF themselves.

Thus despite PRSPs, international efforts to eradicate poverty particularly in Africa still lack the critical aspect of ownership. Though the PRSP document is flagged as the people's programme and initiative, it is painfully obvious that the people seem to be a rubber stamp to endorse yet another development framework originating externally. The participation of government, private sector and civil society often becomes a smoke screen concealing the true external origins and identities of the document.

From the foregoing, it is clear that the PRSP is an innovation in the recent experience of internationally financed development initiatives. PRSPs are born out of a recognized inadequacy of previous initiatives to address the core problem of poverty, given that the people directly experiencing the situation of poverty have not been part of the process to address the issues of poverty.

Another concept that is often used is participation, which is defined as "a process through which stakeholders influence and share control over development initiatives and over the decisions and resources which affect them".³⁴ Stakeholders here include those directly affected, for example the poor, and those indirectly affected, for example debtor Governments at national and local levels, NGOs, private sector organisations and donors. However other elements that need to feature prominently are dual accountability, trust, mutual respect and confidence in each other; transparency, equal power relations and access to information; dialogue and setting of common goals.

5.4 The Experience of Tanzania and Uganda

In essence, PRSPs are meant to be country - driven, prepared and developed transparently with the broad participation of civil society. This is intended to allow for identification of local priorities and needs and making choices based on thorough debates, dialogue and consensus building. In practice, however, effective decision - making, veto power and "seal of approval" still remains with the IFIs who design what PRSPs should contain. Moreover, because HIPCs want debt relief and future concessional loans as soon as possible, they are compelled to make sure the strategies meet IMF and WB expectations, which are usually communicated to them in advance. Consequently, meeting those expectations becomes the primary objective, a fact that tends to undermine the credibility of the PRSPs as country - owned development frameworks.

One of the main features of the enhanced HIPC is the mandatory requirement of eligible countries to prepare a Poverty Reduction Strategy Programme (PRSP). Thus, the PRSP becomes a direct result of HIPC II. Most African countries have for a long time in history drawn their own homegrown Poverty Reduction Strategies (PRS) as long term planning tools based on local priorities and aspirations. Tanzania produced a PRSP, not because it did not have implementable poverty strategies. On the contrary, it had several policy planning documents aimed at poverty eradication. These included:

- Vision 2025 – a national vision of economic and social objectives to be attained by the year 2025
- National Poverty Eradication Strategy (NPES) – a national strategy and objectives for poverty eradication efforts by year 2010
- Tanzania Assistance Strategy (TAS) – a medium-term national strategy of economic and social development, encompassing joint efforts of Government and the international community

However, Tanzania has now developed the Poverty Reduction Strategy Paper through broad consultation with national and international stakeholders, in relation to the enhanced Heavily Indebted Poor Countries Initiative. This PRSP was developed as both conditionality for accessing debt relief under the enhanced HIPC and as an accountability tool for using debt relief savings.

For Uganda the economic program of the Government has focused on poverty reduction through economic growth and increased and more efficient delivery of important public services through decentralisation. The main guiding policy and planning document is the Poverty Eradication Action Plan (PEAP) that was formulated in 1997 and has been under implementation since. PEAP was substantially revised in 2000 and has become since then, Uganda's comprehensive development framework.

Poverty reduction strategies embedded in the PEAP in Uganda include the reduction of the incidence of absolute poverty to 10 percent by 2017. In 2000, 35 percent of Ugandans were living below the poverty line, a significant reduction from the 1997 level of 44 percent and 56 percent in 1992(source).

The main objectives of PEAP are to create a framework for economic growth that ensures good governance, improvements in economic security and quality of life of the poor. In terms of the IMF and the WB, a summary of the revised PEAP is also the full PRSP for Uganda.

There is yet another problem. Where capacity is lacking, insistence on rigorous participation and ownership could slow down, rather than enhance debt relief and the grants and loan contracting processes. Consequently, many Governments resort to consulting rather than requiring civil society to participate in the preparation of the PRSPs. In most cases the speed with which 'interim' and 'full scale' PRSPs have to be developed militates against meaningful participation, particularly by civil society actors. Meetings are held with little notice and no time to review, internalise or own the documents, thus denying effective input from civil society.

It is for the above reasons that CSOs have taken a position that the HIPC debt relief should not be conditioned on the preparation, let alone endorsement of the PRSPs by the IMF/WB and/or compliance with the IMF/WB programmes. The two should be delinked.

Properly done, participation by and consultation with civil society would be mutually beneficial. It has the distinct potential to increase civil society's awareness of the initial plans and strategies of Government. At the same time it can also help draw the attention of Government to priorities of the poor within certain localities. In this way consultation with civil society can cause change in the allocation of resources in favour of the poorest of the poor. While participation is a legitimate call, it does not always guarantee consensus on the priorities for the poor, except for such broad poverty reduction goals as improved education at primary and secondary level, improved health care services for all, and in general, sustainable economic growth, and increased incomes and quality of life for the poor. In many ways Uganda's PEAP reflects the consensus reached during the preparation of the document, which is now being implemented and reviewed annually.

Civil Society Organisations (CSOs) around the world have been tirelessly lobbying and campaigning to delink PRSPs as a condition of accessing debt relief under the enhanced HIPC initiative. The reason behind these efforts is that this link delays the desperately needed debt relief savings.

In practice the old 'conditionality based 'mindset' is still all too evident in these 'new' frameworks. Ownership is often nominal and civil society participation is easily ignored. It is evident that PRSP itself is a conditionality. It is agreed that the World Bank and IMF Boards will endorse country PRSPs.

The above support has been seen in some circles as amounting to a veto on national approaches to development. The fact that PRSPs are endorsed in Washington reinforces these arguments. It has been long acknowledged that foreign 'owned' frameworks have not achieved much in poverty alleviation in the past two decades. What is critical is for the affected to develop strategies that are free of pressure from donors. PRSPs for example do not respect national initiatives as exemplified by the case of Uganda where information contained in the Poverty Eradication Action Plan (PEAP) was massaged to fit into a PRSP.

Unlike in the development of the PRSP, the development of the PEAP was much more inclusive and civil society was consulted widely. Most of the civil society inputs and recommendations were incorporated into the final PEAP report that was developed in March 2000. CSO inputs helped to build a consensus around poverty eradication as a priority issue. This consensus between government, civil society and donors did not exist before. Under the Uganda PEAP, the bulk of the government budget will be focused on poverty eradication and to maintain high levels of economic growth. Growth will be assessed in terms of its effects in reducing the incidence of poverty. Expenditures for the Priority Poverty Areas (PPAs) will be ring fenced and will not suffer routine budgetary cuts or a diversion of funds when emergencies or unexpected expenditures occur.

Uganda CSOs however felt left out of the process, when they were excluded from the discussions that turned the PEAP into the PRSP that was presented to the IMF/World Bank Executive Boards. Although there were numerous contacts with government officials at all stages in the preparation

of the PEAP, civil society had much fewer contacts with donors and more specifically the IMF and the World Bank missions in the preparation of the IMF/World Bank version of the PRSP document. The few meetings that took place between the missions and CSOs were more like verification meetings to find out the level of civil society participation and the quality of inputs. Members of the Task Force met with various World Bank missions and a mission from the US State Department, but these discussions were more general.

Box No 5: An example of CSO participation in Uganda

Civil Society Participation in the PEAP

In 1999 the Uganda Government decided to revise the Poverty Eradication Action Plan (PEAP). It opened up the process widely and allowed CSOs to participate in the exercise. In January 2000, CSOs organized a consultative meeting with the government and World Bank officials, which was attended by over 45 CSOs. A Civil Society Task Force, composed of international and national NGOs, was formed to organize an all-inclusive consultation process involving as many sections of the Uganda civil society as possible.

CSOs set up their own technical team to speed up consultations with ministry officials. This step proved decisive in raising the profile of the CSOs and accelerating the pace of their participation. CSOs mobilized their constituents and solicited their inputs into the PEAP. The Task Force held wide consultations with the grassroots to collect their views on poverty reduction. Extensive use was made of radio and television where government officials were invited to respond to queries and to explain the PRSP process.

The Task Force organized consultations with special interest groups, including environmental groups, trade unions, students associations, farmers groups, people with disabilities, women, youth, religious and community leaders. Significant inputs from civil society were incorporated into the final draft.

The Uganda experience shows that government commitment to such consultations is essential. In spite of the strict guidelines that compel governments to involve civil society in PRSP formulation, most African governments are not yet ready to accept CSOs as serious stakeholders in policy planning. Unlike its involvement in the preparation of the PEAP, Uganda's civil society had much fewer contacts with donors, in particular the IMF and the World Bank missions, in the preparation of the PRSP document. The few meetings that took place between the missions and CSOs were more like verification meetings to find out the level of civil society participation and the quality of inputs.

The Uganda PEAP was redrafted to become the country's PRSP. One is struck by the difference in language between the two documents. The PEAP was rewritten to make it more acceptable to the IMF and World Bank. A summary of the PEAP was presented to the Donor Consultative Group (CG) meetings that were held in Kampala in March 2000 and became the Uganda PRSP. However, the national planning document that is recognized officially in Uganda is the PEAP, and it is the basis on which donors provide aid to the Government of Uganda.

One of the crucial points presented by Tanzania to the recent Consultative Group meeting with donors in May 2000 was that the debt relief expected from the World Bank, IMF and Paris Club creditors will not be sufficient to trigger a significant impact on growth and poverty reduction. It was clearly indicated that Tanzania would continue to ask for further debt cancellation.

The debt sustainability analysis (DSA) for Tanzania indicates that Tanzania's external debt to export ratio was 397.1%. It shows further that even after full application of traditional debt relief mechanisms, Tanzania's external debt position would be 324.4% of exports, far in excess of the sustainable ratio of 150%. Even with enhanced HIPC, the debt burden indicator would be above the sustainable level at 175% by 2002/03. The debt will be sustainable only if there is additional debt relief from multilateral development banks, the Paris Club and other bilateral creditors. Decisions by many bilateral creditors are still pending, and there is little hope that non-Paris bilateral Club creditors will participate fully in the Initiative.

But in the case of Uganda, the debt stock had slightly declined under the HIPC initiative from US\$ 3.54 billion as at March 2000 to about US\$ 3.1 billion during the second half of 2000, the debt stock has increased to US\$ 3.574 billion as at June 2001. The increase is explained by new borrowings and disbursements received over the period based on the PEAP/PRSP. In addition arrears of interest have continued to accumulate on the Non-OECD credits, which are not serviced as per the debt strategy and the HIPC Debt Initiative Conditionalities. Uganda's debt sustainability therefore hangs in balance as the debt burden is destined to increase. What is important is to ensure that the Aid grants and loans are effectively utilised to improve the country's debt sustainability.

On the ground the reality is that the macro – economic gains the countries are continuing to register at the national level are not reflected at the grassroots where poverty is still widely and deeply felt.

- That the Poverty Reduction Growth Facility (PRGF) has a major bearing on the success or failure of PRSP.
- That it has not been possible to trace and track-down the actual amount of debt relief savings used at a sectoral level, thus making it difficult to measure its actual impact
- That the registered increase in the quantity of funds allocated to social sectors, is not reflected in the quality of social services delivered
- That the financing gap in financing PRSP is directly and indirectly affecting the implementation of the planned action in alleviating poverty.
- That using loans to finance PRSP is not the best strategy at this moment when Tanzania is still struggling to deal with the current debt burden.
- That the revision of both the enhanced HIPC package for Tanzania and the PRSP is necessary in order to realistically deal with poverty; but also for the sake of public accountability after the much raised expectations following the participatory preparation of this PRSP which is being implemented.
- That the emphasis on participatory approaches in the preparation, implementing, monitoring and reviewing of PRSP has increased the quality of dialogue and transparency

among the stakeholders involved.

5.4 CONCLUSION

The contention is with using PRSPs as a conditionality for accessing international Aid and qualifying for the HIPC initiative and also their acceptability as National guiding documents for securing basic development goals. We are agreed that the PRSPs are necessary tools for poverty reduction but should be owned by the countries that are going to use them.

Enhanced HIPC will improve the situation but more needs to be done in a way of debt relief, even the countries in the example of Tanzania and Uganda who have qualified still find themselves in trouble. The implementation of the PRSPs in whatever form should be in conformity with the development goals of the recipient countries and as contained in their own formulated national documents.

Macro economic measurements as indicators of economic growth have long since lost credibility among the poor who constitute the majority of the African populations. This is because as mentioned earlier an increase in macro level indicators like GDP does not necessarily represent a reduction in poverty and increase in social capital.

The answer to the "poverty reduction" dilemma lies in the implementation of the PRSPs, which are formulated in consultation solely by the recipient countries and in consultation with as many representative stakeholders as possible, to foster ownership. This will also make it easier for implement as the PRSPs will be regarded as belonging since the implementers will be familiar with the process and the content. The PRSPs should also not be linked to Aid and not be used as a conditionality for accessing Aid.

In view of the above considerations, it is recommended that HIPC debt relief be de-linked from the PRSP process, a condition be imposed asking countries receiving debt relief to establish an independent entity to channel freed resources toward social development, the exclusive role of overseeing poverty reduction programmes be given to a wider constituency that includes the World Bank and IMF together with other UN agencies, new rounds of talks aimed at finding a solution to the debt burden of many poor countries be organized, the PRGF be abolished and a serious dialogue be initiated on how to integrate macroeconomic policy issues with broader social development goals.

Chapter 6

DOES AFRICA NEED AID?

6.1 INTRODUCTION

The question as to whether or not Africa needs aid might sound rhetorical given the level of poverty ravaging the continent. It might even smell of sadism if answered in the negative, considering the nauseating pictures of starving and malnourished children that the global(ised) electronic mass media continue to splash the world over – and which have become the defining feature in the North and, wonder of wonders, in Africa as well. Yet this question is relevant to both the African person who sees aid as an unnecessary umbilical cord that ties the continent to her erstwhile “benefactors” and in the process siphoning away all extractive products from the continent to the former colonial masters and other powerful industrialised countries as well as to the “donors” who see the continent as a hopeless continent that has been unable to benefit at all from all the aid and charity of the European, American and Japanese tax payer.

In the backdrop of that debate, many experts – local and foreign – still suggest that we concentrate all our policy dispensations and economic and political governance instruments on winning foreign aid. Since trade in primary commodities face a bleak future, we could not base our future survival and prosperity on them. According to this view, African countries should go all out to create an attractive environment for foreign inflows, so that industrialised countries would be encouraged to put their money to Africa in form of Aid and Foreign Direct Investment (FDI). Another school of thought feels that we should make the developed countries so ashamed of themselves for exploiting us that they would ultimately feel obliged to mobilize a Marshall Plan-type of intervention on our behalf. This is where the campaign for the so-called New International Economic Order of early 1980s squarely fell.³⁵

Aid and Dependency

At independence, Africa inherited an edifice that promoted heavy dependence and corruption, both on political and economic fronts. On the political front, we inherited a state that was monstrously oppressive that was designed to serve our colonial oppressors’ interests; a state which was not geared toward the development of the people, but one that coerced them into accepting colonial subjugation so as to produce, through forced labour and other coercive mechanisms, for the metropolitan economies. It was a state that was designed to instil fear, subservience and diffidence in the people by destroying their self-esteem through degrading treatment.

On the economic front, Africa inherited inordinately backward economies based on subsistence agriculture for the peasantry and producing export cash crops on the part of alien commercial farmers. Small-scale commodity production dominated by a backward-looking, highly supersti-

³⁵ Babu, A.M. 1983, *African Socialism or Socialist Africa?* Dar Es Salaam/London. Tanzania Publishing House and Zed Publishers, p. 45

tious peasantry that was emerging from the nightmare of decades of oppression and dehumanisation; this was the predominant character of Africa's rural setting. The vast majority of the population was hopelessly backward economically; their agriculture fragmented into tiny plots, each hardly sufficient to support a single household. For any meaningful development to take place, it was essential that this problem be tackled as a matter of priority. Instead, however, the newly independent African states relied on western experts, whose experiences were wholly metropolitan and whose background was entrepreneurial. The new states sought the solution to these urgent problems from business manuals and Harvard economists, rather than from the reality of the situation. The end result was that Africa succeeded in perpetuating the colonial division of labour where we were designated producers and exporters of primary commodities and importers of manufactured and processed goods. Put differently, we continued producing what we did not consume and consuming what we did not produce.

Table 1: ODA as a Percentage of GNP for selected African Countries

Country	1991-1992	1996-1997
Burkina Faso	15.4	15.9
Eritrea	-	17.8
Ethiopia	14.1	16.5
Madagascar	14.9	16.5
Malawi	28.6	18.6
Mali	17.0	19.0
Mozambique	108.7	41.1
Niger	16.0	15.8
Rwanda	20.3	39.2
Tanzania	49.4	13.4
Uganda	24.8	12.1
Zambia	33.6	17.5

Source: Helleiner, G. 2000: "Towards balance in Aid Relationships: Donor Performance Monitoring in Low Income Developing Countries"

The pattern of Aid over the years has been such that this division of labour is not only simply reinforced, but also sharply defined. Before Aid became the basis of our economic planning, it was originally and theoretically designed to merely help cover any shortfall in our export earnings so that we may have the necessary "scarce and yet badly needed" foreign exchange. Our so-called experts have elevated to Aid to such an extent that we tremble in horror at the threat of its withdrawal. Recent examples suffice: In December 2000, the IMF and the World Bank withheld official disbursement to Kenya of the Poverty Reduction and Growth Facility (PRGF), formerly Enhanced Structural Adjustment Facility (ESAF) after the country's High Court ruled the Anti-corruption Authority created three years earlier unconstitutional. In a desperate effort to win this back, Kenya's Attorney General drafted a bill, which he unashamedly announced that it handed to the IMF for approval before it was tabled in parliament. When the bill was later tabled in parlia-

ment, it was roundly defeated by parliamentary opposition, notwithstanding the fact that the president himself took an unprecedented action of attending an ordinary parliamentary session and voting in his capacity as a member of parliament. This action earned opposition parties a few unfriendly adjectives from the establishment.

In Uganda, the loser to recent presidential election devoted his time to campaigning among western embassies and local offices of the World Bank and the IMF that aid be withheld or reduced as a way of forcing the regime of President Yoweri Museveni to embrace good governance. He had the audacity to proudly announce that this was the central theme of his meeting with the US Secretary of State when the latter visited Uganda recently.³⁶ In Zimbabwe, too, political opposition has seen the withholding of western and Bretton woods support as the only way that can rein in the ZANU-PF from the many ills the opposition and white farmers accuse it of, including being unable or unwilling to stop the invasion of white-owned farms liberation war veterans.

Throughout the history of the US foreign aid programme, successive administrations have emphasised the defining feature of US external assistance to developing countries as priming the pump for private capital flows. This is done in the belief that private capital would ultimately take over and render public flows in the form of ODA irrelevant.

6.2 Key weaknesses of Aid to Africa

In their book, *Improving Aid to Africa*, Nicolas van de Walle and Timothy A. Johnston, both apologists of the US hegemonic aid policy, have identified some important flaws in the aid regime that are useful to examine. Interestingly, they wholly blame recipient governments³⁷. They are, however, worth re-examining with a critical lens.

6.3 Lack of Recipient Ownership

The issue of ownership has been extensively discussed. There is no gainsaying the fact that the international aid machinery has over the years been oiled by economic and political interest of the so-called donor countries. Besides the tied aid system that has been conditioned on procurement from the aid giving country and receiving technical assistance – most of which has been at best unwanted and at worst hugely irrelevant – donor aid has been selective in areas they consider important for their own economies or those that give them political leverage in the recipient countries. This explains why in the past military aid has been such an important feature of foreign aid in Africa. Recipient governments can be said to “own” an aid activity when they believe it empowers them and serves their best interests. This cannot be said to be typical of the existing aid relationships. There is, therefore, a compelling reason to critically examine the issue of ownership of aid by recipient countries and the conditionalities that the aid givers attach thereto. Low or total lack of ownership is common across the African continent. *Donors tend to dominate the*

³⁶ See *The East African*, August 28-September 2, 2001

³⁷ van de Walle, N. and T.A. Johnston 1999, *Improving Aid to Africa*, Washington, D.C., Overseas Development Council

entire aid process and pay scant respect to recipient governments', let alone the peoples', own preferences. While some of our governments deeply detest this, their cash-strapped situation, weak technical capabilities and political vulnerability force them to condescend to donor tyranny.

6.4 Poor Aid coordination

While in the 1960s and 1970s the main source of aid had been mostly the bilateral and multilateral sources. This has changed significantly. Most African countries now receive aid from than one hundred bilateral, multilateral, and nongovernmental organisation (NGO) agencies, each with its own priorities, procedures, planning cycles, and reporting requirements. Some of these do target social development, others strategic control. This avalanche of philanthropic agencies puts extraordinary pressure on governments of Africa, which must exhaust their limited managerial capacities to track these projects with a view to integrating them into their own development strategies. Besides, this proliferation of donors and multiplicity of projects they come with often leads to unnecessary duplication and waste. The need for proper coordination of aid efforts cannot, thus, be overemphasised. There are some attempts by the aid agencies to introduce mechanisms for coordination of aid. However, the results of this coordination attempt have been less than successful. This goes along to reinforce the self-evidence truth that coordination of development is best undertaken by the recipient governments, which are the only agencies best placed to integrate the efforts of numerous donors into a national development strategy. More often than not, African government are blatantly denied the opportunity to play this role.

6.5 Inability to Cover Recurrent Costs

Very few African governments operate on balanced budgets. Budget deficits are almost a permanent characteristic of our national budgets. The inability of a majority of African governments to cover recurrent expenditure and counterpart obligations undermines the effectiveness and impact of aid in their countries. Not infrequently, most of the achievements of aid-funded projects are not sustained after the donor funding cycle has abated. More often than not governments simply lack the funds to honour their recurrent costs and obligations. In addition, donor agencies and recipient African governments continue to inadequately plan for counterpart and recurrent expenditures. Countries like Botswana and, before the recent senseless war, Eritrea developed effective mechanisms to control and monitor the costs associated with donor projects, which are integrated into the government's overall development budget management. In most African countries, aid activities are not fully integrated into national budgeting and planning exercises. For their part, the many aid agencies either deliberately encourage this anarchy in development financing or fail to recognise the problem and fail to plan for the withdrawal from funded projects, thereby leading to disastrous consequences for the intended beneficiaries.

6.6 Proliferation of Stand-Alone Projects

Social development must be predicated in sound and responsive institutions. These are either lacking or have been under the onslaught of such aid agencies like the World Bank and the IMF

that they are been rendered almost irrelevant. Aid too rarely contributes to effective institution building because local institutions are bypassed in the design and implementation of aid funded projects. The donor preference for enclave projects and parallel management structures is particularly is particularly destructive. Instead of integrating their funded projects within government ministries, most donors, for the purposes of visibility and other political considerations, often resort to mechanisms and structures that demarcate their own activities. This ensures greater flexibility in the short run and may help projects attain short-term goals, but irretractably complicates sustainability, undermines ownership, and makes overall government coordination of the aid effort virtually impossible.

In a nutshell, the failure on the part of aid-giving agencies to integrate aid into government's own development management efforts is typically a root cause of the myriad of problems that beset the effectiveness of aid. Governments often lack the capacity or motivation to play an active role in the design, implementation, and evaluation of aid, instead allowing donors to make key decisions regarding how aid resources will be utilised. For their part, the aid agencies often adopt practices that make it extremely difficult for governments to integrate aid into their own planning and budgeting. Both tendencies undermine the impact of aid.

6.7 Who Is Aiding Whom?

The package of structural adjustment Programmes promoted by the Bretton Woods Twins has created scarcity of jobs, incomes and material goods. Decades of lending to Africa at escalating interest rates and in circumstances of externally-induced falling export revenues has meant that the whole continent is now into debt up to its neck. In actual fact, Africa has now become a net exporter of funds to these institutions and countries that control them. It is a clear case of the poor subsidising the rich at a time when everybody pleads concern over poverty. The scale of transfer from the South to industrialised countries and Northern institutions is mind-boggling. For instance, between 1982 and 1990, there was a net transfer of US\$ 300 billion from South to North. Almost two-thirds of this money was from Sub-Saharan Africa. In 1984 to 1990, Sub-Saharan Africa made net transfer of US\$ 156 billion. It is even more startling to observe that between 1986 and 1990 alone, there was a net transfer of US\$ 4.7 billion to the IMF and the World Bank.³⁸ This goes a long way to disabuse us of the extensively popularised myth that these two institutions primary concern was social development and poverty eradication. It is therefore clear that the main motivation for these global economic policemen is, like for commercial banks, profit. It matters least to them that they are gaining from Africa's crisis. Indeed, SAPs were precisely designed to meet this objective.

6.8. Some Proposed Alternatives

Many agree that the aid regime is criminally skewed against African countries and disproportionately favourable to industrialised ones. However, the conventional wisdom does not provide any

³⁸ Turok, B. 1992, "towards a Democratic Coalition Against SAP" in P. Anyang' Nyong'o (Ed.), *30 Years of Independence in Africa: The Lost Decades?* Nairobi, African Association of Political Science, p. 137

radical alternatives to the current regime. Instead, many of them demand more of the same. Various agencies and experts have proposed the following as a way of responding to the aid imbalance. Below are ten of the most common ones:

6.9 Adjust Adjustment Period

Many pundits feel that the current Structural adjustment period, which spans two to three years, is too short. While these experts do not see major problems with the philosophy, fundamental assumptions and the social effect of SAPs, they feel that if the adjustment period could be extended to enable recipient countries have a longer planning and implementation time, then there would be possibility of coordinated adjustment and long-run recovery programmes

6.10 Flexibility in Loan Agreements

The *raison d'être* behind this proposal is that different countries do face different peculiar conditions and the one-size-fits-all donor approach is not only inappropriate but also offensively arrogant. Its proponents do, therefore, propose that loan conditions should be negotiated to fit peculiar circumstances of the recipient country.

6.11 Participatory Approach

This proposal demands greater participation of recipient governments not only in the design but also in the entire project cycle from conceptualisation to design to implementation to monitoring and evaluation of the project. This demand seems to have been granted by the World bank and the IMF adopting the so-called Comprehensive development Framework (CDF) that includes the participatory and "home grown" Poverty Reduction Strategy Papers (PRSPs), participatory Country Assistance Strategies (CAS) and the Medium-term Expenditure Framework (MTEF) budgeting approach.

6.12 Support Funding for Adjustment Programmes

The proponents of this initiative have no problems with SAP packages at all. Their major concern is that even in the face of extreme social fall-outs associated with the "bitter pill" of adjustment, additional resources or rescheduling of debts are either not allowed, or they are delayed unduly in the name of the so-called financial discipline.

6.13 Supply Expansion

The critiques of the excesses of donor control argue that loan conditions should, in addition to addressing social sectors, provide for the expansion of supplies for domestic use, as opposed the currently predominant trend which over-emphasise demand management and export promotion.

6.14 Limited Government Intervention

The proponents of this solution say that while there is nothing wrong with the government withdrawing from the provision of basic social services, they argue that the ceding of ground for the market forces should be staggered. They aver that the national governments must reserve the right

to be able to intervene in the allocation of scarce resources to meet national priorities, rather than be wholly dependant on the inanimate market forces.

6.15 *Distributive Justice*

This remedy is specific structural adjustment Loans. They argue that there is compelling need for incomes policy for distributional effects of adjustment. Each country, they propose, should have the leeway to develop specific policies and programmes for handling the adverse effects of adjustment on the distribution of income and wealth.

6.16 *Adjustment with a Human Face*

Oblivious of the real motivation behind SAPs, there are those who would like to give the designers and overseers of structural adjustment Programmes the benefit of doubt and therefore propose that a bit more of passionate preaching to the world Bank, the IMF and major bilateral aid agencies would trigger a new baptism and appreciate the human cost of these programmes and address them to the satisfaction of African and other Third World peoples. Besides, they aver that economic principles require that the cost of adjustment of the balance of payments should be borne by both the debtors (deficit) and the creditor (surplus), not by debtors or deficit countries alone. They, thus, argue that expansion in developed countries' economies is essential for the poor countries instead of deflation in Africa.

6.17 *Selective Export Promotion*

This proposal is for a mixture of import substitution strategy and the export promotion craze now in vogue. The proponents are urging for a review of the replacement of import substitution and adoption of export promotion for selective industries.

6.18 *Guarantee of Commodity Prices*

This proposal argues that the prices of the agricultural and mineral exports of African and other poor countries should be made stable by international agreement. This is aimed at removing the instability of the export earnings of the poor countries, which causes most of their balance of payments and other economic problems.

6.19 **CONDITIONS UNDER WHICH AFRICA NEEDS AID**

For Africa to step out of the aid dependency circle and onto a path of self-propelling development, a number of options are worth exploring. The following are some of areas to which aid could be directed if any meaningful development and eventual graduation from aid dependency is to be realised:

6.20 **Cancel Debt, Focus on Basic Rights**

Poverty has received varying attention from national governments, NGOs and international institutions like the UN agencies and even the Bretton Woods institutions. A number of governments

of the North have also committed themselves to the Organisation for Economic Cooperation and Development's (OECD) DAC targets of halving the global poverty by the year 2015. For countries of Africa, the major concern is the extent to which the rural and urban poor are increasingly unable to access the basic entitlements such as food, clean water, shelter, clothing, education, healthcare, and relevant and timely information. It is widely recognised that poverty is caused or aggravated by people's inability to analyse situations, make choices and decisions and self-organise to transform their livelihoods. People, who are incapacitated to the extent that they are unable to participate in household or public governance, respond to their felt needs and access productive resources cannot move out of the strangulating web of poverty.

Provision of public services is the primary responsibility of the state. These services include the following, among others: basic social services, markets, resource access opportunities and basic needs as enshrined in our national laws and international rights instruments. Currently, however, inordinate amount of resources that would have gone into providing health, education, clean water and sanitation and shelter is being diverted into debt repayment. The annual debt servicing by the continent is more than US\$ 10 billion.

6.21 Institute Fundamental Institutional Reforms

The kind of institutional framework that have been developed in all countries of Africa with the advice of the World Bank and IMF reinforce dependency, wastage, corruption and disempowerment of communities. Current institutions of national planning are created and organised to foster economic growth. As our experience has shown, growth alone is necessary but not sufficient. Social development, like all other forms of development, is subject to contradictions. Our analysis therefore needs to be directed at discovering these contradictions, understanding them and resolving them. These contradictions are manifested at different levels. In agriculture, for example, they are manifested in the contradiction between small-scale and large-scale production – which one to receive priority and why. In industry, it could be between heavy and light industry or between labour- and capital-intensive production. A correct analysis of the prevailing situation ensures a correct posing of questions about future development, and the latter ensures the discovery of the relevant contradictions, whose resolution determines the solution of contradictions. In other words, a dialectical approach to development planning cannot be gainsaid. For this reason, a fundamental reform has to be taken of institutions (agrarian, financial, of cooperative movement, planning machinery etc.) which are often neglected by the Bank and the Fund on the assumption that that they promote excessive state intervention.

6.22 Diversify Agricultural Production

The neo-liberal economic paradigm promoted by IMF and World Bank has put high premium on export-led growth for underdeveloped countries. While there is nothing wrong with export production per se, the problem lies in over-concentration of the energies of our peasants on producing intoxicant beverages like coffee and tea at the expense of basic foodstuffs. Countries like Kenya and Zimbabwe, which were self-sufficient in food barely two decades ago, have become major exporters of cut flowers and net food importing countries. It is therefore a requisite for development that the growth of food crops be encouraged in order that food security among African countries can be enhanced. Surplus food could make as good export commodity as the traditional cash crops, if not better. Moreover, food processing could constitute the basis of

industrialisation for these countries. In the course of supplying food, there is enormous potential for the development of the following industries, among others:

- 6.2 Dairy industry
- 6.3 Leather industry
- 6.4 Fertiliser manufacturing
- 6.5 Tractor production
- 6.6 Water pump production
- 6.7 Animal vaccine production etc.

6.23 Development of Industrial Base

The need for endogenous industrialisation as the central element in achieving an integrated and self-propelling economy cannot be gainsaid. This emphasises need-oriented and resource-based industries in the context of regional integration. While there may be little disagreement between African governments and aid-giving agencies over this, the implied institutional and macro-economic management may call for direct real resource planning in some areas of economic activity, which is against the conventional conditionality package. For instance, clothing the people will easily expand the textile industry, ginnery output, the mechanisation of agriculture (which involves farm machinery production, water pumps for irrigation, and heavy industry to produce these), inevitably accompanied by increased agricultural productivity. History shows that increased agricultural productivity has always led consumer industry to go through a 'crucial stage', which in turn leads industrial development. Housing and urban development is another area that would spur industrial development. This will stimulate such sectors as cement, timber, ceramics, pipe manufacturing, glass manufacturing, electrical appliances and construction equipment.

6.24 Support Africa's Inward-looking Development strategy

Resources mobilised through external assistance should be directed at the implementation of Africa's identified development priorities rather than donor projects. It is therefore, imperative that an inward-looking development strategy of national and collective self-reliance be launched. The Lagos plan of Action gives some idea of the African economic co-operation needed. Industrialisation must be pursued on the basis of local resources and basic needs of the people. Self-reliance is not autarchy, but the role of exports, imports, foreign exchange and balance of payments must be realistically reduced.

CHAPTER 7

Policy Observations

From our experiences we can conclude that it is not a question of whether or not Africa needs Aid. It is a question of what form this aid takes and what alternatives are available to aid recipient countries, given the conditionalities and the process of accessing foreign aid.

The previous chapters of Governance, motivation and the management aid. All seem to suggest that what we really need as a continent is a look at the process of accessing or receiving Aid. The management of the process and the ultimate outcome.

As earlier mentioned the current aid regime is seriously undermining Africa's development. This is because of the way aid has been procured, managed, monitoring and repaired.

We need to change the regime to a "win – win" situation where the giver and the recipient are satisfied and ultimately contribute to Africa's development? After all this do we really need aid?? We again ask ourselves whether we really need aid, as Africans we need development aid and we need to define what we mean as our own development as Africans and set our own agenda and then give the donors countries our prescription.

If Africa is to continue ;

- it should be part of the systems that govern aid
- Aid recipients should be able to manage the process of the systems of the Aid regime.
- the issue of conditionalities and ownership should be addressed by being open to each other, that is the giver and the receiver.
- for ownership the recipient should be part of the proposals for development aid recipients.
- the same should be done for the conditionalities.

We need a fresh start with all the participants in the process having an equal opportunity, not withstanding the fact that the playing field is not level.

We also have to live within our means and be aware of the limitations and have these addressed, at the same time being mindful of our depleting resources and maximizing our opportunities. Africa and Africans need to be more productive and use the resources more efficiently by:

- Redirecting aid to development, concentrating on that which we can do best and having systems that are home grown and sustainable. Sustainability should also be the balance between Aid Expenditures on productive and social sectors to secure long-term development sustainability of the social sectors and on the macro and consumptive levels.

How do we reduce Africa's dependence on Aid?

By adhering to conditions that uphold s traditional systems, patterns of governance and justice, it should also adhere to the tradition and cultural heritage and should be within the values and

norms that uphold social capital.

Participation should also mean that citizens are consulted on a regular basis, their voices heard in making policies and decisions that affect them.

The process should encourage consensus to build a sense of belonging and ownership.

Assigning of roles and responsibilities to different parties in public sector so that there is accountability and ownership of the process and it is not flawed.

External influences should be compatible with citizen's aspirations.

The development Agenda should include all of the above, and be a "win – win situation" to conform to peoples perceptions and aspirations.

More emphasis are micro level issues especially the improvement in the social sectors and aspirations.

More emphasis on micro –level issues especially the improvement in the social sectors and poverty reduction. Improved governance and management of Aid within governance and civil society organizations so that there is efficient use of resources.

Competent and a good understanding of the conditions and conditionality put forward by donors, so that they are able to reject what they don't.

A well versed consortium of Aid recipients to lobby and push forward a collective agenda and or common position on external aid. This consortium should have the capacity to negotiate for resources and get more appropriate responses from donor agencies for better conditions that will address the strategic needs of the peoples of the recipient countries.

They should also go with the demand for civil and political rights to public goods and services and rights and freedoms of association. Attention should also be paid to other aspects of poverty that do not necessarily depend on economic growth. This would go with the ability by recipient governments to initiate programmes that are pro- poor and the Civil Society Organisations and actors intensifying the role of safeguarding the citizens.

Donors are also called upon to be consistent in applying their conditionality for aid, the inconsistencies make them suspect and exposes their socio- economic and political strategic interests which in most cases are to their own benefits. Conditionalities should be uniform with no preferential treatment.

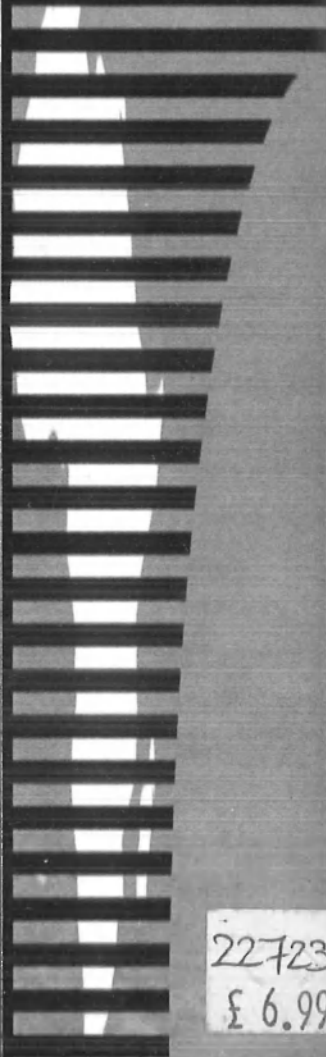
For the recipients emphasis should be on efficient use of resources and not ideology, Aid must ultimately be managed to achieve local ownership and poverty reduction and tied aid, which locks developing countries into purchasing goods and services from a donor.

References

1. Africa Community Publishing and Development Trust (ACPDT) 2000. *Democratic Governance in Zimbabwe: Citizen Power* A Commonwealth Foundation Publication.
2. Commonwealth Foundation Publication 1999 - *The Way Forward: Citizens, Civil Society and Governance in the new Millennium*.
3. Commonwealth Foundation Publications 2001 – *Lessons in Empowerment: Stories from African NGOs*.
4. Hearn, J. 1997. *Foreign Aid, Democratisation and Civil Society in Africa: A study of South Africa, Ghana and Uganda*. IDS Discussion paper 368* .
5. Knack, S. 2000 *Aid Dependence and the quality of Governance: A cross-country empirical analysis*. Economic Development Institute Working Papers, The World Bank, Washington D. C.
6. Kpundeh, S J & Langseth, P. (Eds.) *Good Governance for Sustainable Development: Final Workshop Proceedings 13 – 14 March 1997 Kampala, Uganda*. IBRD The World Bank, Washington D.C.
7. Langseth, P. Kato, D. Kisubi, M. & Pope, J. 1997 *Good Governance in Africa: A case study from Uganda*. Economic Development Institute Working Papers, The World Bank, Washington D. C.
8. Mbetu, R M 1997. *Rural Development in Practice: The Process Approach, Capacity Building and Empowerment*. Experience from Zimbabwe. PhD. Thesis - Coventry University, UK.
9. Ministry of Local Government & National Housing. 1998 – *Report of the First Joint Review of the Rural District Councils Capacity Building Programme – Government of Zimbabwe and Donors incorporating the 2nd Six monthly Review Report*.
10. Moore, M. (Ed.) *Good Government?* IDS Bulletin Vol 24 No 1 January 1993. Institute of Development Studies Publications, University of Sussex, Brighton UK.
11. OECD, 1997. *Final Report of Ad Hoc Working Group on Participatory Development and Good Governance*.
12. Osborne, D. 1993 *Action for Better Government: A role for donors* IDS Bulletin Vol 24 No 1 January 1993. Institute of Development Studies Publications, University of Sussex, Brighton UK.

13. Robinson, M. (Ed.) *Towards Democratic Governance* IDS Bulletin Vol 26 No 2 April 1995. Institute of Development Studies Publications, University of Sussex, Brighton UK.
14. Rothchild, D. (Ed.) 1994. *Strengthening African Local Initiative: Local Self-Governance, Decentralisation and Accountability*. Institute of African Affairs. Hamburg.
15. Turner and Hulme, 1997, *Governance, Administration and Development: Making the State Work*, Macmillan Press, Basing Stoke, U.K.
16. UNDP Human Development Report 2000: Background Papers and Indices from www.undp.org/hdr2000
17. Wunsch, J S & Olowu, D (Eds.) 1995 *The Failure of the Centralised State: Institutions and Self-Governance in Africa..* ICS Press, Institute for Contemporary Studies, San Francisco California.

AFRODAD



African Forum and Network on Debt and Development
Tel./Fax. +263-4-702093/ +263-4-702143
Email: afrodad@sar1ara.co.zw or afrodad@afrodad.co.zw
Web: www.afrodad.org

22723
£ 6.99

This work is licensed under a
Creative Commons
Attribution – NonCommercial - NoDerivs 3.0 Licence.

To view a copy of the licence please see:
<http://creativecommons.org/licenses/by-nc-nd/3.0/>