

WILL POLITICAL CONDITIONALITY WORK?

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1 INTRODUCTION

A prominent feature of aid policy in the 1990s has been the increasing tendency of donors to make the provision of development assistance conditional on political and administrative reform in recipient countries — political conditionality for short. While not an entirely new phenomenon, political conditionality represents a distinct departure from the consensus view which prevailed in the 1960s and 1970s based on the principle of national sovereignty, that aid should not be used to influence domestic politics. Of course political considerations clearly influenced aid allocation decisions in the past, and there are examples of donors using aid to support democratic reform or withholding aid to punish regimes which displayed a blatant disregard for human rights. What is distinct about the new conditionality is that it has become a central tenet of aid policy for the majority of aid donors, and that political factors now constitute a major consideration in aid allocation decisions.

The aims of political conditionality are threefold: to promote democratic reform, to improve human rights, and to enhance administrative efficiency. These are often subsumed beneath of rubric of 'good government' which presupposes a high level of organizational effectiveness in the management of public affairs and adherence to the principles of accountability, openness, transparency and the rule of law.¹ A more fundamental and longer-term objective is that good government can bring about improved economic performance and social welfare.

This article examines the validity of these objectives and expectations, focusing on contemporary attempts by donors to promote political reform through conditioned aid. It begins by reviewing donor policies on good government and political conditionality and the assumptions and objectives underpinning these policies in the light of past experience. The main part of the article considers whether conditionality will achieve its objectives by examining the application of political conditionality in the cases of Indonesia, Kenya and Malawi. It concludes by indicating the conditions under which negative measures will be effective in promoting political and administrative reform, suggests

that positive forms of assistance are likely to be more conducive to reform and more acceptable to recipient governments, though difficult to implement.

2 DONOR POLICIES ON POLITICAL CONDITIONALITY

Past precedents

There is nothing new about attaching political conditions to aid provision; decisions on country aid allocations have always been influenced by strategic, diplomatic and ideological considerations.²

One of the primary motives of US aid during the Cold War was to counter the spread of communism in developing countries. President Kennedy's Alliance for Progress initiative in the early 1960s had overt political objectives even though the emphasis was on economic and social development. The Kennedy administration attempted to nurture democratic governments in Latin America through immediate diplomatic recognition and guarantees of aid, and adopted a negative attitude towards military regimes. In practice, however, more pressing foreign policy objectives stemming from the desire to counter Soviet influence in the region led to an early demise for the initiative, contributing instead to the consolidation of authoritarian rule in the majority of Latin American countries from the mid-1960s. For much of the next two decades, military governments were rewarded for their suppression of internal dissent, through generous provision of development aid and military assistance (Furlong 1980; Forsythe 1989). The US government used its leverage to prevent radical governments in Chile, Cuba and Nicaragua from receiving concessional loans from the World Bank and the IMF. Political considerations also underpinned decisions on aid allocations elsewhere; Israel, for instance, became the largest recipient of US bilateral aid after the 1973 Arab-Israeli war.

The US was not alone in using aid to promote foreign policy objectives. China and the Eastern bloc states rewarded allies in the South with economic aid and military assistance. The Nordic countries, especially Sweden and Norway, favoured regimes which

¹ Brautigam (1991) provides useful definitions of the key terms underlying the governance concept. For a critique see Moore (1993) in this Bulletin.

² This was expressed in very blunt terms by the former Permanent Secretary of the ODA, Sir William Ryrice, who characterized the political objectives of the British aid programme as 'making friends, buying and keeping influence' (Ryrice 1986: 7).

espoused democratic socialism, non-alignment and a commitment to popular welfare. As a consequence of these policies countries such as India, Tanzania, Vietnam and Zambia all figured prominently as major recipients of Nordic aid in the 1970s and early 1980s.

Although political criteria often featured as important aid policy considerations, especially those governing country allocations, these did not amount to conditions that individual countries were obliged to meet in order to qualify for aid. Human rights are an exception in that several donors, notably Canada, the Netherlands, Norway, and the United States, incorporated explicit criteria into their aid programmes in the past.

A 1975 amendment to the US development assistance act effectively barred countries found guilty of a consistent pattern of gross human rights violations from receiving aid. At the same time, support is provided for encouraging the observance of human rights in recipient countries. Canada has also stipulated that countries which contravene the UN Universal Declaration of Human Rights will be denied aid or have it reduced substantially (at various times Uganda, Equatorial Guinea, El Salvador, Guatemala and Suriname). Human rights promotion is also a major Canadian aid policy objective. The Netherlands takes the view that, while human rights criteria (defined to include economic and social rights as well as civil and political) influence country allocations, alongside poverty considerations and the social and economic policies of the recipient government, aid should not be used to manipulate recipients or to punish transgression (Hill 1991; Tomasevski 1989).

Although human rights criteria have been employed by some donors to guide country aid policies, these have not been applied systematically, especially when they conflict with strategic interests. US aid to El Salvador in the 1980s is a case in point, when this tiny Central American country became the third largest recipient of US aid despite extensive documentation of human rights abuses.

New concerns

In political conditionality, some elements of the traditional emphasis on human rights are retained. However it goes further in covering the rules and procedures which underpin regime legitimacy and accountability, openness, transparency in decision making, and administrative competence, collectively referred to as 'good governance'.

The most recent precedent for making the provision of aid conditional on political and administrative reforms is Eastern Europe in the aftermath of the Cold War when countries displaying a commitment to economic and political reform were rewarded with aid pledges by

Western donors. The European Bank for Reconstruction and Development only makes finance available to those countries in the region committed to the principles of multi-party democracy, pluralism and market economics. The perceived similarities between statist forms of economic management and authoritarian government in both the command economies of Eastern Europe and many developing countries (especially in sub-Saharan Africa) led many donors to explore the potential for linking aid to political reforms in the latter. However, whereas political liberalization preceded aid in Eastern Europe and the former Soviet Union, in Africa political reform is being used as a condition for aid (ODI 1992).

Donor interest in questions of democracy and good government in developing countries is driven by two further considerations: (a) political factors are seen as major obstacles to successful economic adjustment; and (b) an increasing momentum in favour of democratization within a growing number of African countries. Moreover, with the decline of East-West conflict, donors feel increasingly justified in promoting democracy and pluralism in their own right without being accused of neo-colonialism.

Policy positions

Donor policies on political conditionality were spelt out in a series of pronouncements by Western political leaders and development ministers in 1990 and 1991. Foreign Secretary Douglas Hurd outlined Britain's policy stance in a much-publicized speech in June 1990 in which he listed a series of criteria for applying aid conditionality (Hurd 1990):

Countries which tend towards pluralism, public accountability, respect for the rule of law, human rights, market principles, should be encouraged. Governments which persist with repressive policies, corrupt management, wasteful and discredited economic systems should not expect us to support their folly with scarce aid resources which could be used better elsewhere.

The British Minister for Overseas Development, Baroness Chalker, elaborated on the theme in a speech the following year in which she stressed positive measures to strengthen administrative capacity and promote pluralism rather than simply cutting off aid as a punitive gesture. She identified four components of good government: sound economic and social policies, free markets and an enhanced role for the private sector, the provision of essential services and curbs on military expenditure; the need for training to improve the administrative capacity and competence of government; open and accountable political systems, the reduction of corruption and a free press; respect for human rights and the rule of law (Chalker 1991).

Germany introduced new aid policy guidelines at the end of 1991 in which it listed five criteria for granting development aid: these are respect for human rights, popular participation in the development process, guaranteeing certainty in law, a 'market-friendly' approach to economic development, and the recipient government's own commitment to poverty alleviation, protecting the environment, and curbing population growth. Reduced military expenditure is also taken into account in assessing government commitment to poverty alleviation since additional resources may be released for this purpose as a result. These criteria have been adopted with the explicit aim of facilitating the implementation of a poverty-oriented development strategy and now guide decisions on country aid allocations (van de Sand and Mohs 1992). Like Britain, the emphasis in German aid policy is on a range of positive measures to improve human rights, including channelling a larger proportion through churches and non-governmental organizations, rather than simply cutting off development assistance which would only be used in the final resort.

The United States has also been active in defining its policy stance on political conditionality and has been more willing than other donors to use aid funds to support democratic political development as an explicit policy objective. In 1990 it announced a 'Democracy Initiative' which aims to strengthen democratic representation, respect for human rights, promoting lawful governance (support for legislatures and improved legal and judicial systems), and encouraging democratic values through leadership training and civic education. Progress towards democracy and evidence of respect for human rights and the rule of law are taken into account in country aid allocations.

Other bilateral donors have also followed suit although there are differences in the emphasis they give to the various components of good government. These to some extent reflect their differing ideological predispositions. Britain and Germany, for example, include a degree of market orientation among their criteria, whereas Canada and Norway lay particular stress on the promotion of human rights and poverty reduction.

Despite these differences, there is a large measure of agreement on the basic principles of good governance, and by implication, on the linking of aid to political reform, as reflected in recent pronouncements of the EC and the OECD's Development Assistance Committee (DAC). On the recommendations of the Commission, which proposed some form of linkage in March 1991, the EC Council of Development Ministers resolved in November to make aid conditional on respect for human rights and democracy

in recipient countries. In December the High-level Meeting of the DAC singled out democratization, respect for human rights and good governance as basic conditions for achieving sustainable development.³ Both moves confirmed a growing willingness of donors to take the issue of good government and democracy seriously, which was evident from a series of subsequent actions by member states and country aid consortia in regard to particular recipient countries.

3 CONDITIONALITY IN PRACTICE

Donors employ three sets of measures to promote political reform: a reduction, redirection or termination of aid funds, an increase in aid to reward efforts at democratization, and specialized forms of assistance.

There are some instances where individual donors have suspended or terminated bilateral aid on the grounds of persistent violations of human rights, endemic corruption and the consequent paralysis of the administrative machinery, and denial of basic civil and political rights by autocratic political leaders, although this remains very much a last resort. Britain, for example, has cut off capital aid to Sudan, Somalia and Burma for such reasons, although it continues to provide humanitarian assistance. Belgium and France suspended aid to Zaire following consistent reports of human rights abuses and to express official displeasure at the unwillingness of President Mobutu to countenance political reform. The US government suspended aid to Haiti following a military coup that deposed the democratically elected government of Jean-Bertrand Aristide in October 1991.

However none of these bilateral actions succeeded in provoking any substantive changes in the way these countries manage their political affairs. Indeed, the situation in Somalia has markedly worsened, with a state of near anarchy prevailing amidst widespread death and destruction with no end in sight to the civil war in the country. In Zaire, President Mobutu has made some cosmetic changes by co-opting key opposition figures into the government but the national constitutional conference is moribund and the status quo *ante* remains in place. In Haiti the military government continues in power.

A possible exception is Suriname which had a major aid package worth \$1.5 billion (including humanitarian aid) suspended by the Dutch government in December 1990 after a military coup pending the return of stable democracy. This was the second time that such action had been taken by the Dutch, the first being in 1982 following the execution of 15 opposition leaders by the military government which had come to power in a

³ In April 1992 the DAC produced a review of its members' policies on good governance and participatory development which underscored

the degree of consensus that now exists among donors on these issues (OCED 1992).

coup two years earlier. In November 1991 the Dutch offered to resume aid because of moves towards democracy and the implementation of austerity measures recommended by the World Bank. It is plausible that the suspension of aid by the Netherlands played a key role in fostering political liberalization because Suriname was a former Dutch colony and because of the very large amount of aid at stake.

In general there is a marked preference for positive forms of assistance, in the form of increased aid for newly-installed democratic governments (the United States, for example, increased aid to Benin from \$1 to \$10 million when the new government took power in 1991) or to assist with the process of democratic transition by funding and training election commissions, electoral monitoring, with registration procedures, etc. Aid is also provided for a wide variety of specialist purposes to promote good government, some of which are novel (support for local radio, establishing legal aid schemes, helping to create ombudsman, etc.), although others are conventional technical assistance projects with new labels to fit in with the fashion (civil service reform, mechanisms to improve financial accountability, etc.).

Despite the odd exception, most donors are committed to joint action which they perceive to be more effective than bilateral initiatives in promoting political change. This is partly because bilateral efforts have for the most part failed and partly because individual donors fear the loss of trading status or political influence if they suspend or terminate aid.

It is to three recent examples of joint action in applying negative conditionality — in the case of Indonesia, Kenya and Malawi — that we now turn our attention.

Indonesia

East Timor was unilaterally annexed by Indonesia in 1976 and has remained under military occupation ever since, with regular reports of extensive human rights abuses and mass killings of Timorese by the Indonesian army. It has remained a thorn in the side of Indonesia's attempts to raise its international profile ever since, with the issue of East Timor being kept alive by human rights groups and the Portuguese government, which formerly ruled over the territory before granting it independence in 1975.

The massacre of at least 50 unarmed civilians by the Indonesian government during a peaceful demonstration in East Timor in November 1991 provoked widespread international condemnation, especially from major donors and trading partners. Denmark and the Netherlands suspended their aid programmes while Canada halted discussions on future aid. Australia, the US and Japan, all expressed concern and

demanding a full investigation, with members of the US Congress demanding a cessation in military aid. Portugal, which has no direct trade or diplomatic relations with Indonesia, urged the EC to impose a trade embargo.

The Indonesian response to Western criticism was on several levels. At stake was nearly \$5 billion in foreign aid, which accounted for one-fifth of government receipts in the 1991-92 budget. Government officials reacted sharply, accusing former colonial powers of ganging up on it and infringing its national sovereignty. Immediately after the massacre the government formed a seven-person investigation team to study what had happened. An advance report produced by the investigating team stated that soldiers had used excessive force and gave a higher casualty figure than that produced by the army which claimed to have fired in self-defence. Soon after, two senior generals responsible for military affairs in East Timor were relieved of their posts, and the army set up a disciplinary council to investigate and report on the incident. Eventually sentences of 18 months or less were given to 10 soldiers court-martialled for their involvement in the shootings. It was also announced that the battalion of soldiers involved would be withdrawn from East Timor. At the same time the government proceeded with the prosecution of the demonstrators on charges of subversion, with four Timorese receiving sentences ranging from nine years to life imprisonment.

In February 1992 the Indonesian Foreign Minister went on a diplomatic offensive to explain his country's position on East Timor and to present the official version of events. During the course of his visit to Tokyo, the Japanese government, which is the largest aid donor to Indonesia, providing \$1.3 billion in official development assistance in 1991, announced that its aid package would not be affected by the events in East Timor, despite strong parliamentary opposition. It expressed satisfaction with the Indonesian response in the form of the enquiry and subsequent actions taken by the government.

Although most other bilateral donors subsequently accepted the findings of the investigation team and welcomed the response of the Indonesian government, the EC under Portugal's presidency did not initially react to the release of the report. Portugal wanted a UN-negotiated solution to the East Timor issue and favoured an intensification of pressure to ensure proper adherence to human rights, seeking to make EC aid conditional on progress in these matters. However, under pressure from the other member states, the EC fell into line and said that it was encouraged by the government's response.

In contrast to most EC members, the Dutch government maintained that future aid would be linked to the country's human rights record. However, in March the tables were turned on the Dutch by the Indonesians who accused the former colonial power of using aid to pressurize them on human rights. In a calculated snub the government spurned all Dutch aid, giving the Netherlands one month to phase out all development assistance. This was later followed up by a directive issued to private associations in the country which obliged them to turn down any development assistance from the Netherlands, including that channelled through non-governmental organizations, which in the Dutch case amounted to about \$15 million annually. The move was expected to stifle criticism of the government from independent legal and human rights bodies which depended on Dutch NGO aid for a large proportion of their funding, thereby running counter to donor intentions to broaden public debate and promote civic associations as part of their efforts to encourage good government.⁴

The Indonesian government also unilaterally disbanded the Inter-Government Group on Indonesia (IGGI), a 14-member aid consortium chaired by the Netherlands, which for 24 years had co-ordinated donor aid policies and programmes. It then approached the World Bank with a request that it should establish a new aid grouping which would be composed of all the original members of IGGI except for the Dutch. Although Dutch aid was a relatively small component of the total (out of \$4.8 billion in aid commitments in June 1991, the Dutch component was about \$91 million, just 2 per cent of the total — 80 per cent was provided by Japan, the World Bank and the Asian Development Bank), the impact was likely to make itself felt in the short term given Indonesia's worsening current account deficit. Clearly political considerations outweighed the immediate economic loss.

Most donors accepted the Indonesian government's initiative and a new aid consortium was formed under the World Bank's stewardship. In a letter to the Indonesian Finance Minister accepting the invitation the Bank was reported as saying that it 'appreciates and values greatly the constructive dialogue between the Government of Indonesia, the donor community and the World Bank and looks forward to continued close collaboration'.⁵

At its first meeting in Paris in July, members of the new consortium pledged nearly \$5 million in development aid, indicating that they were not tying aid to human rights despite Dutch and Portuguese attempts to make the new aid package conditional on improved human rights performance. The outcome of the meeting was a

clear victory for the Indonesian government, which followed up its success by retaining two US public relations firms to produce an English-language brochure defending its policy on East Timor.

Following its failure to influence the outcome of the aid consortium meeting Portugal blocked the start of negotiations over a new EC-ASEAN co-operation agreement designed to increase European investments in the region and to heighten EC influence over environment policies in the ASEAN countries. British Foreign Secretary Douglas Hurd, who was due to attend the ASEAN's dialogue with its main trading partner's, described the Portuguese action as 'regrettable'.⁶

The case of East Timor provides a good illustration of how individual donors were unable to have much influence on a country's human rights performance through aid conditionality when they acted unilaterally, especially if the volume of aid was small in relation to the total (as in the case of the Netherlands) or if they had no direct aid links (Portugal). Trade and diplomatic considerations clearly took precedence over rhetorical commitments to human rights. Australia, for example, feared a loss of influence in the region should it adopt too active a stance — it had worked closely with the Indonesian government on regional trading initiatives and the Cambodian peace process in recent years and was reluctant to jeopardize its working relationship. Japan, as the largest aid donor and a major trading partner, had obvious economic interests at stake. The World Bank, which willingly took on the role of convening a new aid consortium, sees Indonesia as a success story for its economic policy prescriptions. Moreover, Indonesia is a large, and fast growing economy, which most donors would consider too valuable to 'lose' for the sake of human rights considerations.

Nevertheless, in spite of the Indonesian government's best efforts and the reluctance of the donor community to act decisively over its human rights record in East Timor, the issue is unlikely to disappear in the face of continued pressure from international human rights groups. At the same time, the evidence would suggest that conditioned aid is unlikely to have much impact in this regard.

Kenya

In the face of growing donor interest in questions of democracy and good government in sub-Saharan Africa, Kenya has come increasingly under the spotlight as one of the few countries holding out against the trend towards political liberalization in the

⁴ *Far East Economic Review*, 14 May 1992.

⁵ *Indonesia Development News Quarterly*, Spring 1992.

⁶ *Far East Economic Review*, 30 July 1992.

continent. The summer of 1990 saw widespread rioting in the country in protest against the lack of change in the country's political system, sparked by a deteriorating economic climate, which resulted in at least 20 deaths from police firings in the course of anti-government demonstrations.

Soon after the government's crackdown on political dissent several bilateral donors became more forthright in their criticisms of the Moi regime. In July 1990 the four Nordic countries warned Kenya that aid agreements worth \$80 million could be jeopardized if it continued to ignore calls for greater democracy by the country's fledgling opposition movement. Diplomatic relations were severed and new aid commitments were suspended in November when Norway criticized the Kenyan government's arrest of a political refugee formerly resident in Norway. Denmark subsequently held back a quarter of its bilateral aid commitments with the intention of directing more through NGOs and grassroots organizations, on the grounds that endemic corruption made the functioning of an effective aid programme impossible.⁷ Denmark's action was more than purely financial since it caused delays on the construction of grain silos in Mombasa which was regarded as a prestige project by the Kenyan government.⁸

The United States also adopted a tough stance over Kenya's human rights record. At the instigation of Senator Edward Kennedy, the foreign aid appropriations act which was passed in November 1990 specified four specific human rights conditions which the Kenyan government would be obliged to meet before \$15 million in economic and military aid could be released.⁹ Despite the imposition of these conditions the administration granted \$5 million in military assistance in February 1991, ostensibly in acknowledgement that marginal improvements had taken place, but also to reward Kenyan support during the Gulf War. Following the subsequent detention of prominent lawyer and journalist Gitobu Imanyara, editor of the *Nairobi Law Monthly*, two weeks later, the US State Department called for prompt action by the Kenyan authorities over his arrest and other human rights issues. The outspoken American ambassador, Smith Hempstone, made representations on behalf of

detained opposition activists and other foreign embassies publicly criticized the Kenyan government's actions.

Britain, in contrast, had up until this point favoured a softer approach focused on diplomatic pressure behind the scenes, but had grown increasingly frustrated with Moi's resistance to political reforms and continued suppression of political freedom and human rights.¹⁰ Good government was prominent on the agenda at the Commonwealth Summit in Harare in September 1991, despite the reservations expressed by the governments of India, Malaysia and Zimbabwe. On the eve of the Summit, opposition leaders in Kenya publicly urged Britain and other Western governments to honour their commitments to democracy and good government by exerting pressure in the Moi government through aid conditionality. In an interview with the London *Guardian*, Gitobu Imanyara stated: 'We'd like Mr Hurd to tell us that the British government is not going to make Kenya an exception, and that British aid will be made conditional on our ability to conform to internationally accepted standards of behaviour.'¹¹

In August 1991 prominent oppositionists formed the Foundation for the Restoration of Democracy (FORD) as a non-party pressure group. The government responded to its attempt to stage a rally in Nairobi in November by arresting the top leadership and forcibly dispersing a crowd of several thousand that had assembled. Several Western governments publicly criticized the government's actions provoking angry denunciations from the Kenyan Foreign Minister who accused the US and others of 'masterminding and abetting' the FORD movement.¹²

The crunch for Kenya came soon afterwards at the meeting of aid donors at the Kenya Consultative Group meeting in Paris on November 25, when participants resolved to withhold new aid commitments worth \$1 billion for a period of six months pending progress on political and economic reforms, specifically in the areas of human rights and corruption. A cabinet reshuffle a week earlier which had resulted in the sacking of a senior minister widely believed to be implicated in the murder of the former foreign minister Robert Ouku, failed to dissuade donor resolve.

⁷ The growing tendency of donors to channel aid funds through non-governmental channels helps to explain the government's decision to introduce a Non-governmental Organizations Registration Bill in December 1990 which requires voluntary agencies to register with the government. A co-ordination board to oversee their activities and finances was also set up by President Moi and his ministers (Burkhalter 1991).

⁸ *African Economic Digest*, 19 November 1990.

⁹ These conditions were that the Kenyan government should take steps to release all political prisoners, the ending of mistreatment of prisoners, restoration of the independence of the judiciary and freedom of expression (Burkhalter 1991).

¹⁰ Foreign Secretary Douglas Hurd elaborated on Britain's policy of linking aid to good government to the Foreign Affairs Select Committee in December 1990, explaining that there were three stages in its application. Private expressions of concern would be followed by public warnings, and only if there was still no positive response from the recipient government would aid be cut. This would seem to be the approach used in the case of Kenya. *The Times*, 20 December 1990.

¹¹ *The Guardian*, 10 September 1991.

¹² *The Guardian*, 19 November 1991.

The Kenyan government responded with alacrity, which would indicate that concerted donor pressure had panicked it into action.¹³ In early December President Moi announced that a multi-party system would be duly installed with free and competitive elections held by March 1993. A meeting of delegates of the ruling KANU party agreed to repeal the 1982 provision of the Kenyan constitution that made it a *de jure* one party state. Moi's announcement provoked a number of defections by senior party officials, including five ministers and the former KANU party chairman, to the opposition.

FORD reacted cautiously to the announcement, calling for a series of prior constitutional changes that would be required to permit free and fair elections. These would include the repeal of draconian laws, the unconditional release of all political prisoners, limitations on presidential terms of office, and electoral observers to oversee the voting. The expectation was that President Moi would call an early election in order to use his monopoly of state resources to the advantage of the ruling party. Rather what took place was a serious outbreak of tribal violence in the Rift Valley and Western Kenya, allegedly at the instigation of members of the president's minority Kalenjin tribe anxious to preserve their political dominance. In March 1992 the Roman Catholic Archbishop of Nairobi challenged Moi's commitment to multi-party politics, accusing the government of fomenting the violence in order to derail the process of political liberalization.¹⁴

Although at the time of writing the outcome of the elections is unknown, it is nevertheless clear that concerned donor action in making aid commitments conditional on progress in human rights and political reform spurred the President to make concessions that could potentially unseat the ruling party. Whatever the outcome, it is likely that donors will wish to project the reforms that have taken place in the best possible light in order to protect trade and diplomatic interests. It is notable in this regard that the aid consortium decision did not amount to an aid freeze as such since it was not binding on individual donors, some of whom continued to disburse aid. Britain, for example, suspended balance of payments support but continued to provide project aid and humanitarian assistance. France resumed its aid programme once the six months suspension had elapsed, although the consortium was not planning to review the situation until September. The US, in contrast, was awaiting a decision on a firm date for multi-party elections before reconsidering its position. Unless there is a marked deterioration in the

political environment a favourable outcome of the next donor meeting is likely in view of Kenya's economic and political importance in the region.

Malawi

Like Kenya, Malawi was long favoured by Western aid donors for its adherence to pragmatic economic policies and political stability; its poor record on human rights, political freedoms and poverty indicators were largely overlooked since it was perceived to be a strategic ally against Moscow-backed Mozambique during the Cold War years. However in the 1990s, the autocratic regime of Life President Kamuzu Banda appeared increasingly isolated and anachronistic as more and more countries in Africa accepted the need for democratic reforms. Aid donors were forced to act in the face of Banda's refusal to brook any concessions and the imprisonment of the prominent trade unionist Chakufwa Chihana who had returned from exile in Zambia to mobilize support for a pro-democracy conference in the country. Several days of rioting in early May, in which 40 people were killed and several hundred injured in the most serious demonstration of anti-government feeling since independence in 1964, preceded a meeting of the Malawi aid consortium in Paris.

Aid donors attending the consortium meeting on May 12-14 suspended all non-humanitarian aid to the country, which amounted to some \$74 million. A statement issued by the World Bank after the meeting said that aid donors were 'seeking tangible and irreversible evidence of a basic transformation' in the government's record on human rights and basic freedoms. The consortium members decided to review the situation after six months to see what progress had been made. In the meantime they pledged \$170 million in humanitarian assistance to help the government cope with the effects of drought and a huge refugee influx from neighbouring Mozambique, although this was \$100 million less than the amount requested by the Banda regime.

The government has not as yet introduced any substantive reforms in the form of political reforms in response to the aid consortium's decision to suspend development aid, although there have been one or two minor concessions designed to demonstrate some degree of willingness to cooperate. The International Committee of the Red Cross has been allowed to inspect prisons and detention centres. Several long-term political prisoners were released from jail, among them Chakufwa Chihana, who was released on bail from the country's maximum security prison in July

¹³ In an interview with the BBC, President Moi admitted that he had been forced to concede multi-party democracy as a result of international pressure and that he harboured grave misgivings about it, warning that it could lead to tribalism. *The Independent*, 18 January 1992.

¹⁴ According to official figures 240 lost their lives in ethnic violence in the first six months of 1992, although this is considered by many observers to be an underestimate (Biles 1992).

but subsequently re-arrested on sedition charges after speaking out in favour of democracy. Elections were held at the end of June although the opposition in exile called for a boycott since all the candidates had to be approved personally by the president. The government claimed an 80 per cent turnout but this was disputed by observers monitoring the polls who said that voting figures were low.

There is little as yet to inspire confidence among Western donors that the government will make decisive moves in favour of democracy, but while the Life President remains in power, many are pessimistic about the immediate prospects for any substantive political reforms.

4 CONCLUSIONS

The three examples we have examined raise several pointers about the prospects for punitive measures in the form of aid suspension or termination having a positive effect on political freedoms and human rights. The most obvious conclusion is that conditioned aid is unlikely to have the desired effect unless there is co-ordinated donor action under the auspices of aid consortia. The example of East Timor illustrates how a unilateral action on the part of a single donor, in this case the Netherlands, failed in its attempt to force a greater commitment to human rights by the Indonesian government. In fact through shrewd manoeuvring the Indonesians were able to reject aid from the Netherlands altogether and secure an aid package which compensated for the loss of Dutch assistance although such capacity to manoeuvre is probably an attribute of large, diplomatically astute and economically powerful countries in Asia rather than the majority of aid dependent and debt-ridden states in sub-Saharan Africa. One might conclude from this experience that the Dutch initiative was misplaced and that strong Asian governments are more likely to respond favourably to positive encouragement rather than intimidation. More to the point it demonstrates that when donors are unwilling to act decisively and in concert for fear of a loss of trading and diplomatic status, a government confident of its strategic importance and possessing a favourable profile with lending institutions such as the World Bank, can afford to ignore unilateral threats of conditionality when the volume of aid at stake is relatively small.¹⁵

The exception is where a single donor provides an overwhelming proportion of total aid and has disproportionate diplomatic influence, but such cases are comparatively rare. Suriname is one such example, where the Dutch were able to use their aid as a lever to promote political reform in the 1990s, although entrenched authoritarian governments may be prepared

to resist donor pressure at great economic cost to their citizens simply to preserve their dominance, as a prior Dutch decision to suspend aid to the country in the 1980s demonstrated.

The Kenyan case indicates that punitive measures can be effective in instigating reforms when donors take joint action in the form of aid suspension, although they may have relatively little influence over the subsequent course of political liberalization. However the Malawi case provides weak support for this proposition which would suggest that the effects of political conditionality, even when applied by donors acting in concert, are by no means certain. Factors such as timing, the economic importance of aid, the security of the incumbent regime and the strength of the opposition all help to determine the effectiveness of conditioned aid. The strength of donor resolve and adherence to an agreed position will depend on diplomatic, strategic and commercial considerations, and play a role in influencing the calculations of the recipient government. Relatively strong and influential governments know that they can play donors off against one another if there are substantial interests at stake.

The implications for aid donors is that political conditionality will only work under certain fairly restricted conditions and should therefore be carefully assessed on a case by case basis. It is likely that donor actions will fall short of their rhetoric of using aid to promote political reform and a retreat from negative sanctions is to be expected. Of course there will be situations where individual donors will want to terminate or suspend aid to punish regimes which have violated norms of human rights and political freedoms, but there is no guarantee that these will bring about any far-reaching improvements, and some would argue that the situation could actually worsen as a result (Tomasevski 1989).

For these reasons some commentators have argued that a reorientation of an aid programme towards sectors which are less vulnerable to élite capture and of direct benefit to the poor (primary education and healthcare as opposed to large scale capital aid projects) can be more effective than suspension or termination (Waller 1992). Others advocate channelling more funds through NGOs and private associations, although there may be practical and legal limitations on the extent to which this is possible. Whatever mechanisms are chosen, positive measures are more likely to be favoured by donors to encourage reforms, but these are far from straightforward; governments will resist a diversion of aid away from infrastructure projects and NGOs have a limited capacity to absorb large amounts of external funding, in which case progress is likely to be slow and the achievements in terms of promoting good government, rather small.

¹⁵ Similar considerations prevailed when donors failed to take decisive action over China's brutal suppression of the pro-democracy movement in 1989.

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