DOMINATION OR DIALOGUE?

Experiences and Prospects for African Development Cooperation

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Contents

Abbreviations iv
Acknowledgements v

Preface 7
Mats Karlsson

CHAPTER 1
Introduction 13
Kjell Havnevik and Brian Van Arkadie

CHAPTER 2
Economic Policy-Making and the Consolidation of Democratic Institutions in Africa 24
Thandika Mkandawire

CHAPTER 3
The Impact of Recent Reform Efforts on the African State 48
Adebayo Olukoshi

CHAPTER 4
Some Comments on Recent Developments in Donor Conditionality 71
Brian Van Arkadie and Harris Mule

CHAPTER 5
Practical Effects of Economic and Political Conditionality in the Recipient Administration 89
Caleb M. Fundanga

CHAPTER 6
Major Issues Related to the New Framework for International Development Cooperation 98
Roger C. Riddell

CHAPTER 7
The Politics of Good Development Aid: Behind the Clash of Aid Rationales 112
Poul Engberg-Pedersen

Note on Contributors 132
List of Participants 133
Abbreviations

CG Consultative Group
DAC Development Assistance Committee
(of the OECD)
DANIDA/Danida Danish International Development Agency
EC European Community
ECOSOC Economic and Social Council
EU European Union
FAO Food and Agricultural Organization
GDP Gross Domestic Product
IDA International Development Association
IFI International Financial Institutions
ILO International Labour Office
IMF International Monetary Fund
NGO Non-Governmental Organization
NIC Newly Industrialised Countries
NORAD Norwegian Agency for International Development
O&M Operations & Maintenance
OAU Organisation of African Unity
ODA Overseas Development Assistance
OECD Organization for Economic Cooperation and Development
SADC Southern Africa Development Conference
SAP Structural Adjustment Programme or Policy
SIDA/Sida Swedish International Development Cooperation Agency
SPA Special Programme for Africa
UN United Nations
UNDP United Nations Development Programme
UNESCO United Nations Educational, Scientific and Cultural Organization
UNICEF United Nations Children’s Fund
USAID United States Agency for International Development
WHO World Health Organization
WTO World Trade Organization
Acknowledgements

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The Nordic Africa Institute is grateful to the Swedish Ministry for Foreign Affairs for both their intellectual and financial support to the seminar, likewise to all resource persons and participants for their intellectual contributions. It is my sincere hope that the seminar report may convey to a broader and concerned public the ideas and thoughts which were presented and discussed on African development, aid relations and the future aid dialogue during this seminar in early October 1995. In this way the seminar may contribute to the important and growing discussion and debate on these issues and hopefully to the design and implementation of better policies.

Lennart Wohlgemuth
Director, Nordic Africa Institute
Politics in Africa has undergone a sea change. The democratic genie is out of the bottle. African civil society is demanding responsibility from Africa’s leaders. There is no return to the deceptive stability of authoritarian leadership that followed the first liberation from colonialism. Africa’s international partners—for some of whom the past was an all too comfortable state of affairs—are overall not responding to that which is new. Yet a new political basis for Africa’s relations with the rest of the world is imperative.

In African society today, there is sharp awareness of the serious choices that face the continent. A new generation of African political and intellectual leaders demand a “second liberation”—both from the dependency syndrome that has followed economic weakness and from the kleptocratic culture that in extreme cases has been the result of rent-seeking authoritarianism.

Five years ago there were something like four African countries with multiparty systems. Today, more than thirty have had “free and fair” elections in much more open political climates. And no one should underestimate the continent-wide significance of the end of apartheid rule in South Africa. This change has enormous implications. But by no means does it in and of itself mean that democracy is assured. It will take much more to develop the elements that comprise democratic culture, well rooted in African history.

The road ahead is unchartered. Violent backlash may afflict countries which today are even further down the road to democracy than Nigeria was. Majority governments may in various ways impose and perpetuate their dominance, even with “free and fair” elections taking place. Burundi’s elections in 1993 were thought to be a model of democratic transition, Rwanda’s structural adjustment a model of modern reform. Things can obviously go wrong in ways which the simplistic transformation ideas now popular outside Africa do not predict.

Civil society is growing, but is still weak. Loyalty to the state and nation is still being eroded by economic crisis and ethnic conflict. If citizenship is a contract between you and your country, defining rights and obligations, what does citizenship mean for most Africans today? Without people having a clear sense of citizenship, how can democracy develop?

Yet no one must doubt that Africa has entered a new phase. We may well see difficult years ahead, but African politics will never be the same. What does this entail for Africa’s relations with the world? At least three things.
1. The political basis of the aid relationship must change.
2. Africa must make use of the potential of regional cooperation.
3. Africa must engage itself in reforming and strengthening multilateralism.

First of all, changing the political basis of the aid relationship. If aid is “help to self-help”, and not something else, if the ultimate aim of aid is “self-reliance”, then it is time to think seriously about a no-aid relationship. What does it require to achieve a state of self-sustained development where aid no longer plays a central role? If in twenty-five years there should be no aid, what needs to be done now?

These questions are seldom put because of the risk that they will be taken as an excuse to cut aid. That is not only a perceived risk, it is a real and dangerous risk. Practically the whole of the North is looking for excuses to cut down on aid—while actually, and paradoxically, any strategy for a sustainable no-aid relationship in the foreseeable future necessarily leads through increased, not decreased, aid volumes.

Aid dependency is the opposite of self-sustained development. But it is not African poverty that has caught most African countries in aid dependency. Poverty does not in and of itself lead to aid dependency. Weak politics does. Aid can fuel growth, but cannot replace the domestic basis for self-sustained development, even in very poor countries. Increased saving rates and domestic resource mobilisation, including better tax systems, are key instruments to reduce aid dependency. And it is as important to free oneself from creeping dependency in mental as well as monetary terms.

The African economic crisis of the 1980s led to the structural adjustment programmes. There is no doubt that the economic policies of most African countries then were ill-advised. There is also no doubt that major elements of structural adjustment policies—advocated by the IMF and the World Bank—were as correct as unavoidable. Yet after a decade of attempts most African countries seem at best to have stopped the decline, while only poverty and aid dependency has grown. There is something wrong.

African countries must free themselves of the bondage of “receivership”. It is an absurd situation when, as has practically been the rule, African governments’ correspondence on reform commitments is written within the Bretton Woods institutions themselves. And it is a dismal illustration of the state of things when senior Bretton Woods officials will tell you that they now realise that is not enough to have the finance minister on board, but that the whole cabinet of an adjusting country needs to be on board, to get a programme to work. Where in this view do parliaments fit in, now that they exist as truly elected bodies? Where is the legitimacy of genuine societal political process? Such a limited view of the needed political “ownership”—to use the now-popular ugly term that in fact is closely related to this view—is all too common in the North.
The attitude that African countries are like bankrupt firms which need to be put under receivership is fundamentally wrong—and dangerous. It is inconsistent with the ideas of democratic change. Simplistic ideology today will often have it that structural adjustment and democratisation are more or less consonant. Under lucky circumstances that may be the case. But we might just as well see the opposite.

If there is no societal consensus around reform, if social peace does not prevail, if there is no sense of justice in the transformation—then how good are the prospects for democracy? If the so called “Washington consensus” only offers reforming countries one alternative—what room does this give the political process? If there are no alternatives—are we then trying to establish a “choiceless democracy” (as one of the contributors to this book, Thandika Mkandawire, has called it)?

The initiative to change this must—by definition—come from African nations themselves. It is my definite impression that this is taking place.

This was a strong theme in the statements by African leaders at the Maastrict conference of the Global Coalition for Africa in November 1995. The Ethiopian Prime Minister declared, illustratively, that after some years of struggling with the World Bank, with bad faith on both sides, a fruitful working relationship had now been reached, with not one major element of reform being undertaken without his government fully behind it.

If African governments are able to appropriate the instruments of stabilisation they will regain freedom of policy. It is in the post-stabilisation phase that political choice reappears about what kind of society to build. Only then will democratic change have a chance to become sustainable.

A necessary part of stabilisation is debt relief. So for many countries successful reform is not only dependent on their own efforts. The hypocrisy of the North is blatant in simultaneously saying “reform!, and all will be well” and “sorry, we can’t afford more debt relief, and by the way, it’s not really good for you”. Year after year this goes on, only because the African market is so serious about standing behind democracy, so that an exit out of the debt crisis must be found.

A new contractual aid relationship is possible. A post-stabilisation Africa should open up for a post-conditionality aid relationship. In fact, it will then become possible for African countries themselves to be setting the conditions under which they will want support. Development cooperation can then become just that—and eventually decline in importance.

Changing the aid relationship is probably the most important way in which the new political situation in Africa should have consequences for African countries’ international relations. Another way is to exploit the potential for regional cooperation. Why African regional cooperation, both continent-wide and sub-regionally, has been so limited has many explanations. Rapid change is now needed.
There are economic gains to be won. The theory of trade liberalisation applies to neighbours in Africa, as well as elsewhere. Infrastructure investment that is regionally coordinated may often be more rational. Few African countries have the market size by themselves to attract significant foreign investment. The economic gains of regional integration are thus straightforward enough.

There are also important security gains. Now that colonial or cold war powers no longer provide the setting for security policy, and the anti-apartheid struggle has been won, it is of paramount importance that African countries define their security needs. That should virtually always imply regional arrangements.

Much can be said about the meaning of security. It is obvious that most African conflicts today are “internal” rather than external. A future “real” issue is the use of water. But whatever the security concerns, the military in Africa is grossly oversized. Few countries, if any, face a military threat from their neighbours.

Drastically reducing and for ever abolishing armies should therefore be an option to many countries. If budget balancing is a key element to economic stabilisation and a new start, then reducing the military will be one way out of the present dependency and towards real sovereignty.

There is a further way in with regional cooperation offers Africa an instrument. How Africa acts regionally—renewing the OAU, the African Development Bank, SADC etc.—has an importance beyond these institutions themselves. How Africa takes regional responsibility has an impact on the continent’s global standing. The continent’s impact on world trade issues, in the WTO for example, will depend on how it handles trade issues at home. Regional cooperation is thus important if Africa wants to protect and promote its interest through the multilateral system.

And it should. Africa needs multilateralism. In fact, the third way in which I mean Africa’s relations with the world must change is to become more engaged in reforming and strengthening internationalism. Multilateralism is today under severe attack—much more so than is generally recognised. Its survival as we know it is under threat.

The non-payment of obligatory contributions and the reduced participation in negotiated or voluntary funds and programmes is reaching staggering levels. The US owes the UN USD 1.4 billion in membership fees and its share of peacekeeping operations, 40 per cent of all outstanding debt to the UN. It is behind by USD 1 billion in its agreed upon share of IDA—and it has now pulled out of the negotiations for the next three-year replenishment of IDA altogether. The US is the worst, but others are also reducing their contributions. This is taking place at such a rapid pace that we are not just talking about scaling down. If it goes on it will mean the collapse of multilateralism.

This breakdown of morale in financing multilateral institutions reflects how badly hurt the internationalist ethos is. Death by atrophy is maybe what is on
the agenda of some. If, however, we want to move away from major power
dominance rather than see a resurgence of it, multilateralism is the only way.
And if multilateralism is to be saved it must be reformed.

Reform can today mean many things. Reform must not, as Ingvar Carlsson
warned at the General Assembly’s 50th Commemorative Session, become “a
euphemism for cut-downs and cop-outs”. Reform must mean making in par-
ticular the UN and the Bretton Woods system able to respond not only to the
needs of today, but to the needs of a very different world 25 years from now.
The Commission on Global Governance, co-chaired by Ingvar Carlsson and
Sonny Ramphal, argues in its report “Our Global Neighbourhood” in particular
for new ways of financing services in the international interest, for an Economic
Security Council and for the promotion of the rule of law world-wide.

The point here is that if multilateralism is hurt—so is Africa. Africa stands to
lose not only resources, debt relief and other positive economic effects of inter-
national economic cooperation. Africa further stands to lose political mecha-
nisms to help in crises and fora where shared concerns are addressed. The risk
of political and economic marginalisation will grow. This point can be made
more explicit, but it cannot be made in too strong terms. The weaker a country,
the more dependent it is on international cooperation, norms and law. That is
true of small countries in Europe, as well as of African states.

An illustrative comment on aid and multilateralism was made by the
Ethiopian Prime Minister on the same occasion as above. He told of how he had
asked of his US hosts: “If you must cut your aid, cut your bilateral aid to my
country, not your contributions to IDA!”

Africa has a huge stake in reforming and strengthening multilateral
cooperation. Africa has always been engaged in the North-South debate, and
often pursued positions that had considerable foresight. But sometimes the
position of African governments, as well as of other governments of the South,
has not been clearly enough focused on reform. A greater involvement of
capital cities, not just New York delegations, in the multilateral reform
discussions would be very welcome. There will be difficult decisions ahead.
Countries’ long-term interests must guide decisions. Neglect and atrophy must
not decide what multilateral cooperation forms survive. There must be a much
more conscious leadership. African countries should be part of it.

Africa stands a good chance of starting the 21st century on another political
basis. Democratic change and an open political climate may have given a new
leadership to the continent. Post-stabilisation freedom may have opened up
new perspectives on the future. Regional cooperation may have created new
security frameworks. And Africa may have become a fuller partner in multi-
lateral cooperation. Much depends on where African politics go these next few
years.

To throw more light on these developments, the Swedish Foreign Ministry
joined with the Nordic Africa Institute in arranging a seminar with a new look
at development cooperation and conditionality. We asked a number of mostly
African researchers for contributions and confronted them with a largely Nordic group of people who are active in development cooperation. The present volume is the result.

Thanks are due to all contributors and participants, and in particular to the Nordic Africa Institute and its Director, Lennart Wohlgemuth.

*Mats Karlsson*

Under-Secretary of State, Swedish Ministry for Foreign Affairs
BACKGROUND

Many African countries have been implementing structural adjustment programmes for more than a decade. This process has involved a shift in aid programmes towards various forms of programme support, with accompanying macroeconomic conditionalities, initially, key conditions related to quite clearly defined economic policy variables (e.g. foreign exchange and interest rates, budgetary performance, trade liberalization). Throughout the 1980s, such macroeconomic policy issues were the main focus of donor concern and of “dialogue” between donors and African governments.

Such conditionality was not uncontroversial and there has been an ongoing debate about the economic effectiveness of structural adjustment programmes and the distributional consequences. The record regarding the effectiveness of the earlier stages of structural adjustment is ambiguous enough for it to be possible to support quite different interpretations of future economic policy requirements. Some see the lively if narrow response of some segments of the private economy to the stimulus of a liberalized environment as a harbinger of a robust market led economic growth. They might argue that the need now is to stay the course and pursue policies which reinforce the revival.

However, for those who were basically sceptical of the market solution, the lack of clear evidence of sustained growth suggests the need to supplement the liberalization policies of structural adjustment with new types of government intervention. For them, in the 1990s it has become increasingly evident that a liberalized economy is insufficient for development in sub-Saharan Africa (Mkandawire).

During the 1990s, parallel with the process of economic reform, there has been considerable political change across East and Southern Africa, in the direction of more open and contested political systems. It might be thought that the combination of these political trends with economic liberalization policies in place to varying degrees in many African countries, should have engendered a sense of achievement within the region and have elicited the approval of donors. However, that seems very far from the case. In the region there seems to be widespread unease, involving disillusion with the political process and
uncertainty about the economic future. In the donor community a certain sourness seems to have taken hold, a malaise characterized by irritability with the performance of African partners.

Aspects of this situation are alarming. Donors are steadily shifting their ground, pushing conditionality beyond the areas of narrowly defined economic policy, in relation to which conditionality was at least based on a clearly defined professional view, into much more treacherous ground related to institutional arrangements and political practice. This ground is more treacherous, on the one hand because views on policy in these areas are informed by a poorly developed analysis and on the other hand because political sovereignty of the African countries is brought increasingly into question (Olukoshi).

The issue of sovereignty is related to both concerns of principle regarding the relations between States and very pragmatic issues concerning the efficacy of development policy. At one level, the extension of donor conditionalities into much wider areas is the result of the shift of aid into programme support, through mechanisms such as import- and budgetary support. If donors underwrite the recurrent budget, they can hardly avoid intruding into broad questions of government revenue policy and management, and expenditures. The real solution to this erosion of recipient sovereignty has to be through the restoration of greater autonomy based on more self-reliant financial policies.

A confident and effective civil service is unlikely to emerge from a process in which for many purposes the official is subservient to paternalistic donor officials, and it is difficult to see how political leaders can be held accountable to their own citizens for policies framed elsewhere. Donors themselves are only subject to limited accountability, particularly in relation to their role in imposing policy conditions. At the same time, the increasing weight of evidence is that favoured donor instruments of support for capacity building through technical assistance have at best very patchy success. Powerful donor influences are brought to bear in support of policy mixes which are not always consistent. Even if it were politically acceptable, there is no evidence that a new form of “indirect rule” through aid is an effective development model.

However, donors have become increasingly aware of the need to justify their programmes to their home constituencies. This has led to much increased donor concern and action when inefficiency or corruption leads to the waste or misappropriation of their funds. Moreover, many of the concerns of donors are shared by the people of the recipient countries, who suffer when the system is ineffective or corrupt. One of the basic challenges is therefore to translate the legitimate concerns of donors into more efficacious donor interventions, which do not themselves erode national capacity. This is likely to happen only through the emergence and growth in the recipient countries of political institutions and processes which place greater internal demands on governments to perform. Whether this is achievable through the universal application of a simple formula, “multi-partyism”, is unlikely. It may, at best, represent a
modest start of a long journey towards more accountable governments and participatory societies.

It is evident that the fragile recovery in private economy activity could be stifled by the inadequate performance of the public sector. Under such slogans as “capacity building”, “better governance”, “accountability”, “transparency” and “civil service reform” a new post-structural adjustment agenda for African development, including the strengthening of the state, is being defined.

While the political reform-mongering by donors has added an additional layer of complexity in the aid relationship, the economic reform agenda has also become more complex in the 1990s, as the market oriented reforms have pushed beyond macro- and price-reforms into such areas as changes in ownership (privatization), institutional capacity building and changes in public service delivery systems (e.g. cost recovery in social services) (Engberg-Pedersen).

At the same time, some donors who have lent their support to market-oriented reforms seem uneasy about the outcomes. The growing market-sceptical opinion among many bilateral donors is reflected in positions emphasizing the place of poverty-alleviation, gender issues and environmental concerns in the policy agenda.

The above developments provided the background for the joint Swedish Ministry for Foreign Affairs/Nordic Africa Institute seminar, “Politics, Cooperation and African Development: Proposal for a Dialogue” held in Uppsala on October 2 and 3 1995. Researchers and aid administrators mainly from Africa and the Nordic countries gathered to share views and experiences in order to contribute to a foundation for a new development dialogue.

The seminar contained three parts. The first concentrated on the links between economic liberalisation and political democratisation and how this double reform process affected African states. Two of Africa’s most prominent social scientists presented papers in this section; Thandika Mkandawire on “Economic Policy-Making and the Consolidation of Democratic Institutions in Africa” (Chapter 2) and Adebayo Olukoshi on, “The Impact of Recent Reform Efforts on the African State” (Chapter 3).

The second part of the seminar developed the discussion against the background of part one, focusing on the experiences and effects of aid and conditionalities mainly from a recipient perspective. Through the papers presented by Brian Van Arkadie and Harris Mule, “Some Comments on Recent Developments in Donor Conditionality” (Chapter 4) and Caleb M. Fundanga, “Practical Effects of Economic and Political Conditionality in the Recipient Administration” (Chapter 5) a rare opportunity was given to share the views and analyses of aid and conditionalities from persons with first hand knowledge from government administrations at the recipient end.

The third and final section of the seminar focused on global changes and their impact on aid and analysis of the content and the political implications of predominant aid rationales. Papers were presented by Roger C. Riddell, “Major Issues Related to the New Framework for International Development Cooper-
tion” (Chapter 6), and Poul Engberg-Pedersen, “The Politics of Good Development Aid: Behind the Clash of Aid Rationales” (Chapter 7).

The seminar thus reviewed the experiences of bilateral and multilateral assistance over the last two decades, explored the lessons to be learnt and raised a number of questions regarding what the new international framework for development would imply for the future of the aid dialogue and development.

The papers and the discussion all related to the three major themes taken up in the broad and concluding discussion at the seminar; issues related to conditionalities, the role of the state and the future options for development assistance.

THE DILEMMAS OF CONDITIONALITY

The increasing dependence upon development assistance by most African countries coupled with the expansion and deepening of conditionalities have led to a situation where the African states themselves have limited influence over their own development agenda. Donors have been increasingly active participants in the process of political change which has resulted in the spread of multi-party politics, particularly in Eastern and Southern Africa. Specific financial assistance has been given to the support of more pluralistic political activities and to put in place parts of the new apparatus of multi-party politics. It could almost be said that donors have sometimes attempted to orchestrate the domestic political process, and have clearly signalled that multi-party politics is the norm against which candidates for aid will be judged.

It could be argued that in supporting democratization, the Nordic donors are basically responding to the tide of change in Africa. The domestic origins of the movement towards multi-partyism lay in the obvious failings of the more monolithic predecessor regimes—Africa may be condemned to democracy, because of the general failure of authoritarian alternatives (Mkandawire).

Unlike in East Asia, authoritarian rule in Africa did not give rise to “developmental states” and political repression could not be rationalised through economic achievement. The poor economic performance of the authoritarian states eroded the resource base the regimes needed to perpetuate their rule. Aid contributed to prolonging the life of such regimes.

Responsibility for the shift in initiative to the donor side of the aid relationship must, of course, be shared by African politicians, who have failed to assert themselves and define plausible alternative strategies to handle their economic crises. Both incumbent regimes and most of the new political parties of the multi-party setting have yet to address the components of a strategy to reduce aid dependence.

Having little apparent faith in the outcomes of the democratic reforms they have been supporting, donors find it necessary to manipulate the political process to ensure the implementation of “sound” policies. In the absence of coher-
ent home grown programmes, donors felt that the “responsible” course was to promote their reforms by political manipulation, establishing alliances with powerful strata or at times single ministers, such as the Minister of Finance, in order to get reform programmes moving. In this process the power in recipient bureaucracies shifted to the technocrats who in alliance with the political elite saw to the promotion of the reform programmes. Many of these technocrats were themselves recruited by external donors and placed in small units within key ministries with responsibility for the coordination and promotion of the adjustment programmes (Mkandawire, Fundanga and Olukoshi). The programmes themselves were often designed by the IMF and the World Bank with minimal input and ownership on behalf of the recipient bureaucracy.

In this contradictory process, there has been a certain hypocrisy in the donor stance. Alongside the calls for more democracy and transparency, critical decisions have been appropriated to the confidential milieu of donor-recipient negotiations. Despite the calls for greater accountability, many key aspects of programme design are under the influence of donor agencies which are in no way accountable to the local electorates. Despite the calls for capacity building, donors continue with aid modalities which by-pass the national budgetary system and further erode the capacity of government institutions. What emerged was the creation of “democracy without choice” (Mkandawire).

It was also argued in the seminar discussion that there has been an inconsistency in the way donor leverage has been used to influence the policy agenda. The main thrust of the structural adjustment strategy was the creation of a minimalist state which should pursue an orthodox market oriented course. However, in responding to their own political constituencies, donors added an increasing number of items to the agenda for State action, irrespective of whether they reflected domestic political preferences.

A substantial part of the discussion focused on the connection between political and economic reforms and conditionalities. Some claimed that a democratic development is in itself a good and that it should not be measured in relation to its impact on economic development. In this perspective democratisation should be seen as the primary objective. Structural adjustment should be framed in a longer term perspective and the reform process should give more consideration to the social consequences of economic measures. A more socially nuanced perspective on economic reform was seen as necessary to avoid excessive hardship among vulnerable groups and to mobilize broad support for programme implementation.

Perhaps the most difficult part of the discussion related to the consistency of the political and economic reform process. It was argued that the assumption that democracy was a precondition for successful development was without a solid empirical base. Indeed, successful development in East Asia has in many cases been achieved under quite authoritarian regimes. However, in Africa authoritarian regimes have been predatory rather than developmental in their behaviour (Olukoshi). An important theme for further exploration is the re-
quirements for the achievement of accelerated growth under more democratic regimes.

An optimistic interpretation of the increasing donor involvement in political ("governance") issues sees the prospect of "killing two birds with one stone"—promoting democracy, a good in itself, and by so doing, improving the economic performance of government. Governments subjected to contested political processes would be more accountable to their citizens, and would be forced to perform better in handling public funds to provide public services. Moreover, it is argued, more accountable institutions will be more stable, and therefore be more likely to contribute to an "enabling environment", which would encourage private capital flows and reduce aid dependence. A more democratic system might also be concerned to act to spread the benefits of growth more evenly.

This model of more democratic, responsible government is obviously attractive, and receives support from both donors and many Africans. Scepticism voiced at the seminar related not to the attractiveness of the model, but to its feasibility (Van Arkadie and Mule).

Public expectations that democratic reforms would lead to economic improvements and greater responsiveness to public needs could soon be frustrated if the new regimes are left with no room to manoeuvre in economic policy making, and were little more than fronts behind which the "indirect rule" of donor designed programmes could be implemented.

The viability of the new political institutions will certainly be influenced by the growth performance achieved in response to structural adjustment policies. Particular concern was aired as to the high debt service ratio under these programmes (Fundanga and Mkandawire). In many African countries debt servicing is the only item of the government budget that has risen in real terms under structural adjustment. Should the recipient governments be regarded as debt collectors of foreign donors and international financial institutions, collecting debts often resulting from failed programmes of previous regimes?

In relation to the greater intrusion of donors into the day-to-day domestic politics of African countries, even to the point that they become a determining influence on the appointment of ministers, issues can be raised about the consistency of such manipulation with the desire to cultivate home-grown democratic institutions, about the competence of donor officials to play such a highly political role, and about the accountability of donor officials for what could be decisive political interventions. Underlying these difficulties, is the lack of any convincing theory regarding the political institutional prerequisites for development, which was illustrated by the discussion on the consistency of political and economic reforms (Mkandawire).

An interesting issue raised by African civil servants at the seminar concerned the allocation of responsibility for the non-implementation of conditions. Often donors had castigated public servants in the recipient bureaucracies openly for failing to implement conditions related to matters over which they
had no control (Fundanga). The humiliation for recipient public servants was a severe psychological burden, and as one participant said, “the donors treated us (the African civil servants present at the Consultative Group Meeting in Paris) as children”. Such attitudes cannot provide the basis for a dialogue between partners, and is the antithesis of what is required to build a self-confident, accountable public service.

One effect of the donor domination of the development agenda is loss of initiative and demoralization of recipient civil servants. According to one of the African civil servants present, “Civil servants could no longer show interest in longer term perspectives in relation to their work”. The issue is now, according to many, to restore the confidence between donors and recipients and move from conditionality to solidarity.

The weakness in economic policy capacity reinforces aid dependency, as recipients become too passive in receiving aid, and fail to exercise their own conditionality in responding to aid offers, rejecting those which are likely to be unproductive or which carry unacceptable conditions.

As it is not acceptable for the donor dominance of policy making to be too explicit, it is often obscured in a process in which donor officials, or donor sponsored advisors, draft government position papers to be presented as the government contribution of the dialogue with donors! This ventriloquism totally obscures the responsibility, and therefore the accountability, for the resulting programme framework. This development follows from a severe decline in donor confidence in the recipient governments. Donors push tight conditions for the setting of key policy instruments. Possibly a better approach, might be to make continuing aid contingent on outcomes rather than policies, leaving recipients with a greater freedom in the choice of instruments to enhance performance. As present conditionalities seem to be tied both to policies and outcomes, they close the space for indigenous policy development and erode the responsibility of recipient administrations for the outcome of the policies implemented.

THE ROLE AND RECONSTRUCTION OF THE STATE

The discussion on the role of the State reflected on the pervasive donor interventions to redefine the scope of State economic interventions. As one African participant noted “The African state was established by the colonial masters, it was strengthened by donors during the 1970s and into the 1980s and demolished during the 1990s by the same donors as an element of the philosophy of structural adjustment”.

The implementation of structural adjustment programmes, aimed at shifting to a market based economy, promoted a minimalist role for the State. However, even after structural adjustment, with its severe narrowing in the span of State economic interventionism, the State was left with certain critical functions,
including macroeconomic stabilization, investment in and maintenance of economic infrastructure and the delivery of basic social services.

The long period of crisis and structural adjustment austerity has left the government services without the capacity to effectively handle the tasks which remain its concerns (Olukoshi). For these functions to be performed more effectively, the government structure must be reformed, but more is required than the simple down-sizing of the civil service and public budgets, which sometimes appears to be the main thrust of civil service reform. Indeed, as the erosion of civil service capacity undermines revenue collection, governments face a downward spiral of falling revenue and further declines in government capacity.

Donors’ own response to their perceptions of failures of structural adjustment (the “inhuman face of adjustment”) is to propose quite sophisticated interventions, which weakened state administrations could not readily handle. Well-meaning donor expectations which relate to targeting of poverty interventions, human resource development and social service provision require a more elaborate and effective state apparatus than that emerging from structural adjustment (Van Arkadie and Mule).

All quarters, both on the donor and recipient side, agree on the need for reconstruction of the African state. “The principal issues in Africa’s development ought not to be conceptualised any more in terms which oppose the state to the market in the way in which the adjustment model does” (Olukoshi). State action is needed to complement and supplement the market, to invest in and maintain basic economic infrastructure, supply basic health and education services, to enact and properly enforce appropriate laws and, in general, promote a stimulating environment for production and business activities. Even if the State abstains from directly productive investments which the private sector can handle, its critical tasks are challenging and cannot be handled effectively by existing public institutions.

One view argued was that at present there exist two basic aid rationales—aid as welfare and gap-filling and aid as development promotion. A clash between these rationales was seen to have emerged which reflects a political disagreement about the role of the state in development. While the simplistic market liberalism of the 1980s is fading, a new and decisive dividing line is constituted around questions relating to the economic effects of state intervention (Engberg-Pedersen).

There was wide consensus that the reconstruction of the state can only be carried out by the African societies themselves. Donors can support such a process, but on the basis of the premises and design emerging in the recipient countries. Many critical decisions affecting the morale of the public service and the effective utilization of trained manpower, including those related to such issues as incentive systems, delegation of responsibility, recruitment, promotion and working conditions, are inherent within the national domain.
Although it is sometimes not clear what donors can do to provide capacity building solutions, a number of discussants emphasized that at least they should avoid being part of the problem (Riddell). Funding through mechanisms which by-pass the national budget, supporting parallel administrative structures (e.g. “project management units”) as a response to frustrations with weak administrative capacity, selective and uncoordinated incentives to selected officers to “buy” support for donor projects, and continued support for ineffective technical assistance modalities all serve to undermine the coherence of State institutions.

Another issue of particular interest to the seminar was the implications of decentralisation for government efficiency and donor strategies. It was generally agreed that real decentralisation would encourage local mobilisation and participation, which could make an important contribution to African development. South Africa and Uganda were examples cited in this context. Decentralisation would require donors to initiate cooperation with lower levels of government administration which will present new challenges for the donor community.

FUTURE OPTIONS FOR DEVELOPMENT ASSISTANCE

Broadly, consensus emerged that in future, development assistance should place more emphasis on the support of internal development processes in the recipient countries. Donors had often acted as if development could be initiated and managed from outside, possibly in alliance with one powerful minister or with a small segment of the bureaucratic elite. A shift in donor attitudes is now required, in response to the process of democratisation they themselves have supported.

The transformation by donors, from seeing themselves as determining policy to a genuine joint partnership in a new dialogue with recipients of aid may require a profound attitudinal change. For a new dialogue, donors must be willing to take recipients’ decisions, strategies and approaches to implementation more seriously (Engberg-Pedersen). The concept of national “ownership” of projects and programmes deserves more than the lip service it currently receives.

Genuine partnership requires new patterns of behaviour on both sides of the aid relationship. Donors were seen to be in need of strengthening their analytical capacity, in particular of the political arena. Others saw donors’ eagerness to compromise aid principles as undermining the very effectiveness of the aid (Engberg-Pedersen). A third position held that donors needed to enhance their understanding of the distinction between the motive for and the purpose of the aid provided and the implications of this distinction for the forms and channels of aid (Riddell).
Recipient governments for their part should act to check corruption and inefficiency, and must recognise the negative outcomes which would result from failure to meet reasonable expectations of donors regarding their performance. The most positive scenario would be if democratisation results in greater accountability, under which governments would be forced to respond to pressures to perform from their electorates, rather than being accountable to externally framed donor conditions.

Unrealistic expectations as to what development assistance can achieve may have been an important source of disillusion (Van Arkadie and Mule). A lack of awareness of the complex conditions in the recipient countries, combined with the promotion of institutions and approaches ill-adapted to those conditions has been a source of failures in aid programmes. The evident failure to achieve what was expected is threatening the broad support for aid in the donor countries. There is therefore a need to specify with more realism the intended outcomes of aid, with a greater frankness regarding whether the conditions in the recipient country are yet in place for the success of programmes, and the likely time required to achieve sustainable growth. With greater insight resulting in more appropriate programme design and judicious selectivity, donors could have avoided many disasters.

It was argued by some that in future progressive donors, to enjoy credibility in their advocacy of aid as development promotion, should develop their own strategies in major areas, e.g. small scale agriculture and public sector reform, and not, as in the past, accept the automatic lead of the World Bank in country economic and sector work, policy research and sector coordination (Engberg-Pedersen).

Other important issues that were raised in the presentations and the discussion included the implications of the shift from needs based development assistance, as promoted by the Nordic countries in the past, to an emphasis on the market as the engine of development; and how far aid should be poverty targeted, rather than primarily aimed at promoting economic growth, building competence, capacity and commitment in the recipient country as necessary requirements for the country itself to address the poverty problems (Riddell).

Would the promotion of a new dialogue between partners imply that donors should refrain from the use of conditionality altogether? The general impression from the discussion was that conditionality could not be abandoned, but had to be clearly spelled out, be measurable and adapted to the realities in the recipient countries.

Conditionality is easiest to administer at the project level, as most conditions are implicit in project design and appraisal. Conventional macro-conditionalties, such as exchange rate adjustment, while controversial, were straightforward to implement and easy to monitor. Conditions which depend on administrative performance (e.g. improvements in tax collected), or are related to the implementation of civil service reforms or complex processes of institutional change are much more difficult to delineate in an agreed, concrete
and monitorable fashion. Vague conditions leave the recipient subject to the whims and interpretations of the donor agencies. Perhaps most difficult to manage are implicit conditions related to political practice (e.g. “free and fair elections”).

It would be naive to suppose that such difficult questions as the complex inter-relationships between political and economic reforms, and between donor conditionality and capacity building could be resolved at a two day seminar. Nevertheless, some pointers for the future development of the aid relationship became clear.

Some of the more obvious points were:

– political reform is gaining momentum in Africa, and donors need to give more consideration to the implications of political change for aid modalities;

– the promotion of more democratic regimes requires that governments should be answerable for policy choices to their constituents, and not primarily to donors;

– such principles as “transparency” and “accountability” should be applied on both sides of the aid relationship;

– donors needed to be more self-aware of the effects of their own interventions on the capacity and self reliance of recipient institutions;

– African governments themselves must be more assertive in setting their own conditionalities and development priorities, improving institutional capacity and managing aid programmes; and

– rather than continuing the institutionalised search for concurrence, as in the declarations and plans of action of the UN summit and conferences, these platforms should be used as an opportunity to recognize political differences as a foundation for a constructive future dialogue on development cooperation.

The donor-recipient relationship is inevitably awkward, as the relationship is founded in inequality, even if the donor motivation stems from generous impulses of human solidarity. That inequality is in turn a reflection of a world economic system, of which aid is but a small part. This seminar achieved its objective of encouraging a lively dialogue about aspects of the aid relationship, even if it avoided some of the broader and sensitive issues which have provided the context for the impasse in African development. Even within its narrow sphere of discourse, more questions were raised than answered. However, in relation to the initial intents of the seminar, to increase awareness of some of the issues at stake in the current aid scene and to contribute to a new dialogue on African development, it may have succeeded.
Chapter 2
Economic Policy-Making and the Consolidation of Democratic Institutions in Africa

Thandika Mkandawire

INTRODUCTION

Africa is engulfed in what is by all accounts a global process of economic and political liberalisation. The economic liberalisation is generally informed by neo-liberal doctrines about market efficiency and macro-economic management in the form of stabilisation and/or structural adjustment programmes (SAP). Political liberalisation has ranged from a relaxation of the authoritarian stranglehold on the polity to full-fledged democratic elections leading to changes in political regimes. The simultaneous occurrence of these processes has, quite naturally, attracted considerable attention among policy-makers and researchers and, in the case of Africa, a number of texts have appeared seeking to explain the relationship between these processes (Gibbon et al. 1992; Mkandawire and Olukoshi 1995; Widner 1992). The simultaneous occurrence of these two processes has raised one major question: Can SAP be sustained under democratic transitions or conversely can democratic transitions survive SAP or is the trade-off such that one of these must give? Before we address these questions, it may be necessary to briefly look back at what the most dominant analyses predicated would or would not happen in Africa.

There have been two polar views on the relationship between SAP and democratisation. One view sees democracy and economic liberalisation as simply two sides of the same coin—the edification of a liberal order—a natural convergence point of processes that mark the triumph of liberal capitalist order and “The End of History” (Fukuyama 1992)—an end-state towards which teleology has dutifully moved us all along. This “good-things-go-together” approach is often derived from first principles where liberal democracy and free markets always go hand in hand since both processes lead to dispersion of power away from one-party states or state monopolies (Diamond 1989). This felicitous conclusion is derived from the argument that Africa’s crisis can be traced to the various forms of authoritarian rule which have been strongly interventionist states. Such states have “distorted” markets through protectionist policies, state monopolies, artificial price fixing (subsidies, price controls) etc. The state’s control of the market or economy has underpinned its political authority and its
capacity to use patronage to keep its supporters in line or to buy off potential challenges (usually urban dwellers). It follows from this argument that liberalisation of the market is likely to weaken the state’s hold on the polity, undercut its control of “rent-yielding” activities and create independent centres of wealth generation within a liberalised market. All this will strengthen civil society and thus democratisation processes, especially through its facilitation of the emergence of a bourgeoisie. For this school, the simultaneous appearance of economic liberalisation and liberal democracy is therefore essentially unproblematic.

In the analyses that dominate debates on the relationship between SAP and democratisation, such a relationship is seen as inherently contradictory, at least in the short and medium run. The African analysis,\(^1\) with its strong developmentalist undertones, is usually premised on the assumption that both democratisation and economic policy must address a much larger range of economic issues than merely efficient allocation of resources. And therefore, SAP, by sidestepping a whole range of important items on the national agenda, would undermine democracy which has, per force, to address these issues—development, equity and the much maligned “nation-building”. These issues still remain on the agenda of virtually every country, and if there were doubts as to their importance, the recent events in Rwanda and Somalia should have removed these doubts. If this is the case, then politics (democratic or undemocratic) must allow for the many intricate political compromises that may not always meet the exigencies of economic rationality. SAPs as currently constructed threaten national-building and democratisation by exacerbating social conflict, weakening the capacity of the state to respond in a political way to the many demands on it and by riding roughshod over public opinion without due respect to democratic process.

It is further argued that, apart from the adverse effects of their content, SAPs are essentially an imposition by international financial institutions or by unelected, authoritarian regimes. There is therefore an inherent or potential conflict between economic liberalisation and democratisation because democratisation is seen by the majority of dissident groups as an instrument for obstructing foreign and undemocratically imposed reform programmes and for protecting some of the post-colonial gains in public welfare and living standards threatened by reforms (Bangura 1992). Conversely, the implementation of SAP against political will, can only lead to the intensification of repression and the contraction of democratic space “because the adoption of SAP as state policy contains within it unstated predisposition towards the incorporation or dismantling of associations in civil society whose members are likely to bear the brunt of SAP policies” (Mustapha 1992:216). It is the “anti-popular” content and political

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\(^1\) This may be a sweeping category, since there are differences among African analyses. However, after reading the available African analyses and participant in quite a large number of conferences and seminars on structural adjustment programmes in Africa, it is fair to say there exists a predominant African perspective telegraphically captured in this paragraph. See, for instance, Mkandawire 1994a, Mkandawire and Olukoshi 1995, and the various studies on adjustment published by the Harare-based SAPES.
form—the foreign imposition and non-transparency of policy-making institutions—that have provoked negative response. Or as Beckman categorically states: “it is resistance to SAP, not SAP itself, that breeds the democratic forces” (Beckman 1992:102).

In another prevalent interpretation of policy-making in Africa—the public choice view of things—what is happening in Africa is simply inexplicable. From this perspective, it is argued that the policies pursued by African governments since independence were reflective of the demands of a coalition of rent-seeking groups with strong urban bias. This had favoured protection of industry, social subsidies and cheap food policies, all of which had favoured the urban areas against rural interests. Since these social actors are part of the urban coalition which has hitherto supported the policies and since it is this coalition that is now pushing for democratisation, democratisation should have begun to lead to reversal of SAP with its strong anti-urban bias in favour of the rural sector producing tradables (Herbst 1990). On the other hand, since the majority of the population (the rural people and the denizens of the informal sectors in the urban areas) would benefit, democratic politics might be the only way of breaking the hold of the minority urban interests on economic policy. However, this conclusion is undercut by a number of corollaries to the major theorems of public choice theories. For example, there is the “logic of collective action” which suggests that since those who gain are many so that the chance of any one individual to influence policies are scant and since the actual gains accruing to each individual are small, there will be little incentive for individuals to be active. This, plus the “free rider” problem that it induces, will make organising the urban poor and the peasantry a daunting task. And even if one ignored the logistics of carrying out the task in the conditions of rural Africa they are unlikely to organise themselves, definitely not as well as the few urban interests who will be hurt by the economic transformation taking place. In addition, since the gains are long-term while the losses are immediate, we are likely to see more action from the urban population against SAP and very little overt support for it by those who will potentially gain.

A similar “paradox” emerges from the neo-Weberian literature which suggests that adjustment will undercut the state’s capacity to finance the patron-client relationships on which it has snugly rested. It is argued that SAP is in conflict with the demands of the principle actors in the democratisation process who seek to continue the patronage from which they have benefited. Deprived of such means, the state will be able to relate to these in an increasingly repressive manner (Herbst 1990).

And so the current wave of urban-driven efforts at democratisation simply stand out as “paradoxical” since, according to Bates, these reforms oppose African governments and yet they are initiated by them (Bates 1992). Confounding matters further is the fact that the groups that were posited as congenitally opposed to SAP are electing political parties that are fervently im-
implementing these policies sometimes with a born-again zeal that embarrasses even the main purveyors of their underlying economic doctrine.

Supporting these pessimistic views about the relationship between economic reform and democratisation, are some of the historical experiences as recounted in the literature which often noted that the most comprehensive SAP initiatives have generally come under the auspices of authoritarian regimes (Haggard and Kaufman 1992). And so prior to the wave of democratisation, a number of strategies were proposed to overcome the supposedly rational political choices and resistance of these organised urban interests to rational economic policies and/or the patron-client nexus underpinning state dirigisme. The solutions have included outright authoritarian ones à la Pinochet (Bienen 1990; Callaghy 1989) or stratagems that, by stealth or their suddenness have caught these groups unawares and generated policies that, by the time these groups are able to mobilise, will have become irreversible (Waterbury 1989). Where democratic regimes already existed, the problem of those who pursued this kind of analysis has been on how to circumvent the democratic process by strengthening the “autonomy” of the bureaucracy or by creating what has been a main candidate for such insulation and so also have Ministries of Finance or teams of technocrats in a number of key ministries. In some cases nationals on the payroll of international organisations are attached to these key ministries—all this to ensure their insulation (Bangura 1994). We return to this below.

More recent empirical work has cast doubt on the positive correlation between authoritarian rule and adjustment. Writing on Latin America, Remmer categorically states “democratic regimes have been no less likely to introduce stabilisation programs, no more likely to break down in response to their political costs, and no less rigorous in their implementation of austerity measures. If anything, the evidence suggested that the edge with respect to programme implementation is with democracies” (Remmer 1990:318). And the World Bank, which has been historically associated with a preference for authoritarian regimes such as those of Banda, Rawlings, Eyadema and Babangida has now shifted position, albeit very cautiously as the following suggests:

First, the process of political transition may initially slow down the process of economic reform, as the new system settles down, and there is the danger that competing interests may lead to a stalemate in some areas. However, second, the greater political openness will lead to the opening of national dialogue and debate over reforms. This serves both to educate the public and contribute to a national sense of ownership of the reform process. Third, coalitions empowered by political liberalisation may contribute lively to the emergence of good governance—that is the practice by political leadership of accountability, transparency, openness, predictability, and the rule of law (World Bank 1994).

See, for instance, Haggard and Kaufman 1992. However one ought to be wary of statistical exercises used to prove the compatibility of adjustment with democratisation. The statistical results seem to depend too heavily on the ideological predisposition of the researchers. Prior to 1987 most studies using virtually the same data suggested that authoritarian rule was necessary for adjustment. After 1987, analysis of the same data suggested the opposite (Przeworski and Limongi 1993).
The behaviour of the new regimes in Africa, especially their acceptance of orthodoxy would seem to confirm the view that democracy may facilitate adjustment or at least does not seem to hinder it. This does not, of course say whether adjustment works or not or indicate what adjustment does to democracy. We address this question below. One should, however, note that there is still nervousness among international financial institutions about democratic politics and there is the lingering belief in the authoritarian advantage in policy formulation.3

The point here is that much of the writing on Africa has excluded possibilities of the occurrence of much of what is happening in Africa today. Democratisation and adjustment are taking place simultaneously in Africa. The problem then is not whether adjustment and democracy can occur simultaneously but rather what this dual pursuit implies for the consolidation of each of the processes, and more specifically for the immediate future of the democratisation process.

ECONOMIC PERFORMANCE, SOCIAL COSTS AND DEMOCRATISATION

Ever since the introduction of SAPs, there have been controversies over their efficacy. Launched as a strategy that would lead to “accelerated development” (World Bank 1981) by reviving growth after a relatively brief period through a “vale of tears”, it was to be refurbished in 1989 as a strategy for “sustainable growth”. Although Africa has witnessed no “accelerated”, let alone “sustainable”, growth the same package has been brushed up and relabelled as the strategy that will somehow take Africa through a “transition” to something not quite clearly spelt out.

3 This is suggested by the concerns expressed by donors over Ghanaian experimentation with democratisation à la Rawlings. According to press reports the Ghanaian government of Rawlings is beginning to alarm donors by its fiscal irresponsibility as the following citation from The Guardian suggests:

After rebuilding a decimated economy and becoming an international donor’s role model for struggling African countries, Ghana finds its comeback endangered by an unlikely new foe: democracy.

Two years after a young flight lieutenant named Jerry Rawlings grabbed power in a 1981 coup, Ghana launched wholesale economic reforms, funded by hundreds of millions of dollars from the International Monetary Fund and enforced by Rawlings’ authoritarian military regime.

Unencumbered by political niceties and following foreign-aid donors’ prescriptions for painful readjustment, Rawlings presided over 5 percent annual growth in the late 1980s, an exceptional performance in Africa. Exports reached nearly US $1 billion.

But now all that has changed. After toiling to open markets, draw investors and subdue inflation, this West African nation has seen its economy struggle since the shift to a multi-party political system in 1992. Inflation hovers near 30 percent. Government has ballooned. The cedi, Ghana’s currency, is in a free fall. Interest rates top 35 percent. Unemployment is pushing 30 percent.

Both supporters and critics of Rawlings—now the country’s elected president—blame the slump on his desire to be re-elected next year, a worry he did not face during 11 years as a repressive military ruler. Rawlings’ re-election hopes have compelled him to secure the support of crucial constituencies before presidential elections in late 1996, critics say.
The new democracies are furtively seeking economic recovery in the form of higher economic growth and not merely the end of inflation and stabilisation. Virtually all the leaders of transitional democracies have placed high value on both economic recovery and the attainment of high rates of growth, and some even argue that failure to do so will jeopardise the whole democratisation process. It is therefore reasonable to start the discussion with the performance of current policy reforms with respect to these concerns. One can summarise the evidence as:

a) Based on statistics through 1993, the sub-Saharan Africa region as a whole had not recovered from its development disaster. The estimated rate of growth of output was well below population growth rates of 3.1 percent. (Mosley and Weeks 1993, African Development Bank 1994. This is clearly illustrated by Figure 1).

b) However, there were some improvements for some countries. These improvements, sometimes hailed as “miracles” remained miserly, given the low levels of development and the population dynamics of the countries concerned. They also seemed to depend more on unsustainable external funding than the adjustment itself.

c) Whether a country did better or worse than the average for the region shows little correlation with the category of “adjusting countries” as variously defined by the World Bank (Mosley and Weeks 1993). This goes sharply against the Bank’s many attempts to prove the positive relation between adjustment and economic growth and the claims that “in the African countries that have undertaken and sustained major policy reforms, adjustment is working” (World Bank 1994:I). One should contrast this conclusion with one by another World Bank document that “World Bank adjustment lending has not significantly affected economic growth and has contributed to a significant drop in the investment ratio (Elbadawi et al. 1992:13).

Figure 1. Real GDP and per capita GDP growth rates in sub-Saharan Africa, 1973—1992

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<th>real GDP</th>
<th>per capita GDP</th>
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The widespread view in Africa is that SAPs have met with extremely tepid success, especially when one judges them against the promise of “accelerated development” in the “Berg Report” and the “sustainable growth” promised in 1989. Economic growth has proved elusive. More ominously, even where higher growth rates have been attained, these seem to be the result of increased capacity utilisation rather than increased investment and some of the recovery can be attributed to improvement in commodity prices. Investment declined during much of this period. Ajayi gives an estimate of the marginal decline in investment of 8.4 percent (Ajayi 1994). More disquieting for a strategy built on reliance on the private sector and rolling back of the state, whatever increase in investment has taken place, this has largely been public. The private sector has proved to be remarkably unresponsive to the “enabling environment” of SAP (Mkandawire 1994b). Indeed, it is this collapse of investment and, therefore, the future prospects for economic growth that poses the greatest threat to the democratisation process by suggesting that economic deprivation may last much longer than the short term over which the new movements imagine they may be imposing tough fiscal measures.

One has to read these results in light of the pronouncement by the World Bank that Africa would be made to traverse first, “accelerated development” promised by the “Berg Report” (World Bank 1981) and then “sustained growth” promised in the 1989 World Bank report and the soon to come “transition” to some unclear goal. If this has come to pass then it has remained imperceptible to the key stakeholders—the Africans. In contrast and in response to this general perception, the World Bank has waged a highly publicised campaign arguing that SAPs are working. However, in light of such evidence, the World Bank has sobered up a little about its claims and the Spartan certainty with which it pushed its programmes is now less evident, although the foot soldiers in the field still battle on fervently and the bravado still shows up in the public-relations documents.

Of immediate concern for the democratic regimes is the social impact of these programmes. After all it was partly the reaction against the decline in a number of social indicators that galvanised key social actors against state incapacity and ineptitude which they attributed to its authoritarian character. SAP was initially pushed as a programme that would favour the poor by:

a) reviving economic growth whose benefits would “trickle down” to the poor;

b) by improving the terms of trade in favour of agriculture which sustained the largest proportion of the poor;

c) by removing market “distortions”, especially by doing away with foreign exchange distortions which artificially cheapened imported capital goods, it

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4 This was the content of the most recent high profile statement of the progress in “Adjustment in Africa” (World Bank 1994).
would favour the use of labour intensive technologies in both the informal and the formal sector; and
d) by undermining the predatory activities of the bureaucracy and allowing room for reforms in favour of the poor (Azzam 1994).

All these processes would contribute towards greater equity. Such faith in the egalitarian content of SAP was first challenged by a series of UNICEF studies calling for “adjustment with a human face”. Since then there has been considerable evidence and counter-evidence on the social impact of SAP and on the theoretical basis of the expectations about the outcomes of SAP (Azzam 1994).

The record is that during the 1980s, over which period SAPs were the predominant policy initiative, GDP on a per capita basis, has declined by one fifth. One factor limiting the fiscal manoeuvres of the new democratic regimes is the debt squeeze which shows up in the form of high allocations by the state to the servicing of both domestic and international debt. Interest payments have doubled their share in state budgets while spending on health and education retained their respective shares of a significantly reduced total budget. The employment situation continued to deteriorate in the majority of African countries. The African Development Bank states that for individual African countries open urban employment ranged from 6 to 50 percent. In education, the available evidence suggests for sub-Saharan Africa as a whole that the average gross primary school enrolment ratio fell from 75 percent to 70 percent during the 1985–90 period, a most unfortunate reversal of one of Africa’s most important post-colonial gains. The fall in absolute levels of per capita financing of education has in most cases led to overcrowded classes, low teacher morale, conflicts and decline of standards.

One can, of course, construct counterfactual scenarios where all these economic and social indicators would have been worse without SAP and on many occasions the international financial institutions have used such an approach as an argument in favour of SAP. However what is important here is the factual experience that SAP has contemporaneously been associated with declining living standards and this has produced or has been associated with changes which have political implications, regardless of the possibilities of worse outcomes under another set of (counterfactual) circumstances. Whatever theoretical conclusions on the impact of SAP on equity and social well-being are reached, the politically most important issues are the lived experiences of the main

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5 An example of this style of argumentations is Sahn (1994). Sahn accuses others of confusing the impact of the crisis and that of structural adjustment programmes. In his view, the decline in public expenditure on social services can be squarely laid on the crisis that preceded the adjustment measures. In other words without SAP, things could not have been better. Much of this discussion is confined to the share of expenditures on social services in government expenditure or GDP. What may be interesting from a political point of view is the impact on the end user whose interest is more on the effects on their livelihood rather than their share in something as abstract as the GDP. The experience in Africa, as Pio (1994) observes with respect to education, is that even if the share of total expenditures may have grown, the level of expenditure has remained constant or decreased in real terms, which means that per capita outlays have in fact declined.
stakeholders—the majority of Africans. These have witnessed deteriorating living standards both before and after SAPs and they have lived under conditions where the end of shortages due to trade liberalisation has been accompanied by even greater polarisation of consumption styles as the ease of importation of luxury goods brings into their impoverished midst conspicuous forms of luxury consumption that only highlight their own penury. There is, therefore, the danger that, as in Latin America, the neo-liberal reforms implemented by post-transition civilian governments have accelerated the implementation of a socially exclusionary model of accumulation. This raises the “danger that the emerging political order, while liberal and democratic, may preside over societies that will be strongly elitist and socially quite regressive” (Smith 1993).

International financial institutions were slow in admitting that their programmes could have negative social effects and indeed commissioned a number of studies to disprove the growing evidence of, and the popular reactions to, the adverse effects of SAP on social well-being. However, in the face of growing evidence to the contrary, the World Bank and other donors have accepted the view that specific measures required to “mitigate” the adverse effects of SAP on the poor should be patched onto SAP. An additional objective of these programmes has been to drum up political support for SAP. This expresses itself in the insistence on high “visibility” of such programmes. These, as it turns out, have proved woefully inadequate even in the showcase country—Ghana (Kusi 1991).

SAP AND THE LEGITIMACY OF DEMOCRATIC GOVERNMENT

The importance of a particular set of economic policies to the democratisation process probably lies less in whether they are right or wrong in some economic sense, but in what they say about the social content of democratic transformation and the perception by the leading social actors of their options. Democratic institutions must constantly reproduce the political, social and economic structures that sustain democracy and must legitimise themselves in the eyes of society at large. Policies in a democratic state must not only be democratically arrived at but must somehow contribute to the reproduction and consolidation of democratic structures. This means that the fact that a particular policy was democratically adopted does not necessarily mean it will contribute to the consolidation of the democratic process. After all democracies have been known to adopt policies that have rent them asunder. These policies range from macro-populist ones in which the state adopts policies aimed at pleasing all groups

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6 The most notorious of such academic hatchet job were the studies from Cornell University which produced a series of monographs using a fairly sophisticated multi-sectoral model to demonstrate their case usually on the basis of the inadmissible empirical basis for the kind of exercise they were engaged in.

7 For a review of these programmes see Seshamani (1994) and Stewart and van der Gest (1994). See also Vivian (1995).
and thus generates divisive inflationary pressures and intense social polarisation to the exclusionist policies associated with orthodox economic policies that marginalise large sections of the population, leading to disenchantment with democratic politics and a preference for extra-parliamentary, fundamentalist or ethnic movements.

Periods of transition such as those being traversed by a number of states tend to render more transparent the contestability of the legitimacy of the state as hitherto unarticulated or muted claims are openly voiced. In the African case, the process of democratisation has encouraged the “voice” rather than the “exit” option in political discourse, sometimes giving the impression that democratisation breeds such fissiparous tendencies as ethnic claims. In the sphere of economic policies, democratisation may allow open self-organisation of economic interests and may lead to greater pressures on policy-makers to meet the demands of the various contending groups—class or ethnic. And, indeed in Africa, democratisation has opened up more space for political protest and in some of the new democracies, there have been unprecedented waves of strikes and protest that might potentially push the state towards the much dreaded “macro-populism”, defined by Dornburch and Edwards as “an approach to economics that emphasises growth and income redistribution and de-emphasises the risks of inflation and deficit financing, external constraints and the reactions of economic agents to aggressive non-market policies” (Dornbursch and Edwards 1992:9). The main ingredients of such a policy often include:

a) budget deficits to stimulate domestic demand;

b) nominal wage increases plus price controls to affect income redistribution; and

c) exchange rate control or appreciation to cut inflation and to raise wages and profits in the non-traded-goods sector (Stallings and Kaufman 1989).

8 The two options are derived from Hirschman (1970). Initial North American writing on Civil Society tended to stress the withdrawal of civil society from engagement with the state (Chazan 1988). This differed from the “social movements” approach found in Mamdani, Mkandawire and Wamba-dia-Wamba (1988) and Mamdani and Wamba-dia-Wamba (1995) whose interest was specifically on how elements of civil society engaged the state. However, with the upsurge of movements for democracy, all attention has increasingly been toward the “voice” option taken by civil society.

9 Opponents of democracy in Africa have used the bogeyman of “ethnic conflict” to argue against democratisation. In the most cynical and sinister manipulation of “ethnic conflict”, those in power have fomented such ethnic conflict to justify continued authoritarian rule. President Moi has been the most blatant offender in this sense. For a nuanced view of the relationship between ethnicity and democratisation in Africa see Nnoli (1995).

10 Immediately after Chiluba’s victory over Kaunda, Zambia was gripped by an unprecedented wave of strikes. Similarly, Malawi is currently having a wave of strikes mainly by the civil servants.

11 Laurence Summers, the current US Under-Secretary of the Treasury for International Affairs and former senior World Bank official, in a foreword to a World Bank book, Voting for Reform, ranks “rampant populism” as the very close third of the surest ways of destroying an economy, the first and second being communism and bombing respectively (Summers 1994).
Pushing states towards such populist policies is the quest for legitimacy which was an important feature of post-independence politics. Post authoritarian rule did not diminish the centrality of this quest since its legitimacy rested on the ability and willingness of the political authorities to promote public welfare. It is partly this quest that explains the “distributionist” thrust of African state policies and the salience of patronage and patron-clientalist relationship so bemoaned by international financial institutions. It is partly these policies that have kneaded together “the nationalist coalition” that underpinned the state’s stability in many African countries. SAP has generally tended to undermine these coalitions. It should, however, be noted that these imperatives of legitimacy, while accounting for the distributional thrust of state policies in the past, have not, for a number of reasons, led the African democracies to engage in “macro-populism”. This seems to be in sharp contrast to the Latin American experience from which the evidence seems to suggest that while stable and authoritarian regimes have demonstrated a preference for “orthodox” market-oriented policies, non-consolidated “transitional” democracies have shown an affinity for “heterodox” macroeconomic strategies to solve problems of debt, stagnant growth and hyperinflation (Smith 1993). None of the newly elected governments has embarked on that policy path. Instead the trend thus far has been the adoption of orthodox adjustment programmes, partly to correct the excessive expenditure and wanton waste by the outgoing authoritarian regime which may have resorted to populist programmes to shore up its sagging fortunes. These are extremely unpopular policies and thus pose the distinct danger of delegitimising democratic rule if they do not yield tangible results soon.

SAP AND FORMAL STRUCTURES OF DEMOCRATIC GOVERNANCE

While a considerable amount of attention has been paid to the incapacity of SAPs to address the substantive demands of democratic forces, much less attention has been paid on how styles of policy-making affect the formal institutions of democratic rule which are a constituent part of democratisation. One way of judging particular policies is the extent to which they are supportive or cognisant of the formal decision-making structures of economic policy. If the various groups are to be convinced that they can meaningfully air their grievances through these formal structures, then they are likely to use these channels and respect their outcomes. If, however, these formal institutions are not receptive to their voices and if, worse, they are empty shells that are seen to be bypassed by other institutions or social groups with impunity, then the question of solutions outside normal democratic channels will be encouraged.

12 Thus in its final months the Malawi Congress engaged in what the World Bank regarded as “major over-expenditure” (Venter 1995). Similarly, Kaunda abandoned his agreement with the Bretton Woods institutions just before the elections.
The Authoritarian Legacy

Democratic institutions are often built on the ruins of authoritarian rule some of whose institutions may linger on due to social and structural rigidities that set the stage for policy-making. Authoritarianism established a certain style of policy-making that has left a legacy that complicates democratic policy-making in Africa. This relates to both domestic and international actors.

Let us take the external actors first. Aid to Africa has historically been disbursed within essentially authoritarian structures and a whole tradition of interaction between foreign donors and African governments has been premised on this institutional fact. The traditional format has thus far been that a minister negotiates and enters into agreement with a foreign government or institution. The agreement is then announced ceremoniously and with great fanfare to the nation as an accomplished fact—no debate, no scrutiny. Thus aid relationships remained unencumbered by the complexities of national debate or consensus-building in the recipient country—in sharp contrast to the donor countries where aid bills were extensively debated in national parliaments. This insulated form of bilateral relationship has been further reinforced by the current wave of policy-making in which the assumption of key policy-making functions by foreign institutions has been enhanced during the SAP to such an extent that it has become an embarrassment to the international financial institutions themselves. The continuation of such practices undermines the democratic control of state policy. Democratic governance will demand that such international treaties as are entered into by the government are approved in some form or other by the parliament. And indeed this is beginning to take place, to the chagrin of the donor community who find public scrutiny time consuming and at times a downright nuisance.

The Market and Democratic Decision-Making

SAP is not only about the liberalisation of domestic markets but also a submission to the logic of global markets. This impinges on national sovereignty understood as the ability of the national governments to pursue socially valued objectives such as growth and equity. The effect of exigencies of global financial liberalisation has been to strengthen the structural predominance of the entrepreneurial class (which with privatisation has been increasingly de-nationalised) and more specifically the financial sectors in the national economy by making the threat of capital flight a sword of Damocles hanging over policy-makers. This has effectively led to the “market-coup” whereby market forces impose wholesale on the government’s economic team. The problems that subordination of public policies to the logic of the market-place criteria pose to democracies are not the exclusive concerns of new democracies. In the advanced capitalist countries the issue has been raised by the calls for Central Bank autonomy in a number of countries resulting in what Paul Volker, the former Chairman of
The US Federal Reserve Bank has termed the “triumph of central banking” which effectively removes from the political process key economic decisions and forces policy-makers to deal with the market in an essentially supine position. It is this that has undermined social democratic corporatist arrangements for consultation on policy (Bowles and White 1994). In the process “market” becomes reified into a neutral, apolitical and ahistorical institution (Chaudry 1993) or fetishised so as to acquire such human attributes as “anger”, “disappointment”, “displeasure”, “nervousness” etc. In this fetishisation of social arrangements, it is the “market” that insists on the devolution of power to the central banks to ally the market’s suspicion that the government may not be seriously committed to orthodox monetary policies.

A central feature of new democracies undergoing market-oriented reforms is the strengthening of private capital. For some writers this entails dispersion of power and the emergence of a bourgeoisie both of which are said to be good for democracy. For others such a class wields tremendous veto power over macroeconomic policies—and the corresponding weakening of the state’s capacity to regulate the economy and to mediate class and sectoral conflicts. And it is not self-evident that such a class will be supportive of democracy in Africa.13

Technocratic Governance and Democratisation

In its 1989 Report, the World Bank extended its analysis of the economic crisis to include political factors. It concluded that “underlying the litany of Africa’s development problems is a crisis of governance defined as the exercise of political power to manage a nation’s affairs” (World Bank 1989:60). It is important to stress that the World Bank’s view of governance was essentially technocratic, confined to:

a) improvement of public sector management;
b) increasing economic and financial accountability;
c) enhancing predictability and the rule of law; and
d) enhancing the transparency of public affairs.

Initially, such a view of “governance” made no claims for its association with democracy. It was much later that governance was to be extended rather uneasily to include democracy. The Bank’s unease with associating governance and democratisation is understandable given the fact that much of its analysis of the politics of policy-making and the historical or revealed preferences were for insulated technocracies that could ride roughshod over the clamour of interest groups.14

13 Concrete studies of the politics and ideologies of the organisations of this class suggest strong anti-democratic proclivities. See Liabes 1995 and Olukoshi 1995.
14 The governments that the World Bank peddled as strong adjusters—Ghana, Babangida’s Nigeria and Uganda were essentially military regimes.
At the domestic level one notes the new trend of placing greater faith in technocrats by the newly elected governments. New governments seem to be leaning on technocrats much more heavily than their predecessors. The trend in favour of technocrats was most clearly evident during the process of political liberalisation in Senegal in the post-Senghor period. President Diouf brought in a team of technocrats that were to carry out the economic reform programme (Diop and Diouf 1990; Diouf 1993). Predictably, the technocrats were more successful when policies were being formulated, but turned out to be much poorer during the implementation phases when a much broader array of social actors were called on to intervene.\footnote{This has always been the South American experience. Montecinos reports that in Latin American experience, economic teams formed by former academics have apparently tended to be more prone to perform their roles following an exclusionary style due to their lack of bureaucratic and political experience and their limited resources for policy consultations while policy-makers with government experience have been more inclined to consider the political limitations of their policy proposals and look for co-operation, instead of imposing solutions that will pass the test of implementation only at the expense of ignoring everybody else’s opinion (Montecinos 1993).} Not inclined to consider the political limitations of their policy proposals and look for co-operation, the technocrats produced a number of reforms without due consultation with the key social actors. And not surprisingly, the technocrats lost out because they were:

... innocents with little or no experience in party politics. They never sought to create a political base to defend the programme in political terms. Only the President and a handful of technocrats could claim to be politicians, a few had the savvy and foresight to gain political experience and power. Most failed miserably in local elections (Ka and van de Walle 1994:349).

This Senegalese example of reliance on technocrats during periods of political and economic liberalisation has been repeated in a number of countries where the political movements have placed technocrats from international organisations in key positions. Nicephore Soglo in Benin is a former World Bank Executive Director while Edem Kodjo in Togo is the former OAU Secretary. These are simply the most conspicuous cases.

Paradoxically this reliance on technocrats is taking place precisely when there is dramatic de-professionalisation of the public administration stemming from more than a decade of job insecurity due to the contraction of the state and subsequent entrenchment, low salaries that have forced many bureaucrats to pursue survival strategies that often undermine their professional competence and, last but not least, the informal governance of African economists by hoards of foreign experts who usually denigrate their counterparts as simply corrupt rent-seekers.

The attraction to technocrats can be attributed to a number of factors. First, is the view that the predecessors, given their highly personalised rule and patrimonial-clientalist politics, had an aversion for technocrats and tended to alienate or marginalise them. This tended to undermine the public service by side-stepping the bureaucratic demands for meritocratic criteria in promotion and job-assignment. The result has been bloated and highly inefficient bureau-
cracies. The natural response of the new democracies has been to reverse that trend. A second factor might be that these technocrats are important in pleasing international financial institutions especially if they are located in the ministries that most intensively interact with these institutions, to wit, Ministries of Finance. International financial institutions themselves are not averse to “leaking” information that indicates their preferred individuals in key ministries. Thirdly is the perception that the devastation created by the economic crisis has legitimised the calls for economic “doctors”. And finally there may be the fact that social movements have had little capacity or interest in the building of policy capabilities within their own structures.16

Whatever the reasons are behind the greater reliance on technocrats, newly elected governments are confronted with insulated international technocracies ensconced in key economic ministries and wielding enormous influence. The high-jacking of the key policy-making units has been further facilitated by the cartelisation of the donor community with World Bank officials becoming modern-day “governors”. Pronouncements of individual World Bank representatives have acquired Delphic proportions. This does not augur well for democracy.17 This quest for insulated technocracies is likely to produce a Janus-faced polity in which politics are democratic but government is not (Kohli 1993). In such polities, economic policy will increasingly be made behind closed doors, insulated from public debate and scrutiny and will become an exercise in technical efficiency from which social groups, unions, parties, parliaments and maybe even ministers may be excluded. As we have argued elsewhere there is a serious contradiction between the politics of insulation of the technocracy and the calls for greater accountability and transparency in economic affairs (Mkandawire 1992 and 1994a). The result would be the kind of regime already emerging in Latin America which Malloy terms “hybrid regimes” in which “an outward democratic form is energised by an inner authoritarian capacity especially in the realm of economic policy (Malloy 1991) or truncated democracy whose area of competence is severely restricted.

It is true that some of these technocrats may be politically astute and sensitive and may understand the politics of their countries. There is, however, the distinct danger that their professional instincts may persuade them to seek to circumvent “politics” and generate solutions that are politically explosive. This is particularly the case where such technocrats are shielded by international financial institutions and therefore feel more accountable to that constituency

16 Montecinos notes that “Probably one of the most serious threats to the consolidation of Latin American democracies stems from the lack of institutionalised forms of communication between the newer, technical and the more traditional political elites” (Montecinos 1993:27).
17 The World Bank seems to translate “transparency” in the interaction between donors and recipients to mean the right of World Bank officials to openly state their displeasure with host government policies. In other words, the dictates that were once issued behind closed doors are aired publicly, not for public scrutiny but just as a matter of information. In Malawi the World Bank representative has openly stated that he thought the size of the cabinet of the Muluzi government was too large.
than to the national ones. The danger is enhanced by the professional arrogance of technocrats themselves fanned by the international supporters who heap so much praise on them as the national salvation (especially if they can be insulated from “rent-seekers”) in sharp contrast to the denigration that domestic “politicians” and interest groups suffer at the hands of international financial institutions.

There is little discussion in Africa on the implications of technocratic policymaking in the consolidation of democracy. The role that technocrats can play and their impact on political choices are not unambiguous, there being significant variations in the performance of technocratic roles. Some of these may facilitate democratic rule by providing the new regimes with a wider range of choice. The technocrats may be able to identify or elaborate a number of options each with a different political implication. On the other hand, the technocrats may narrow the choices of the politicians by either being part of a transnational technocratic alliance, identifying themselves with particular international models of crisis management such the orthodox SAP. The transnationalisation of key parts of the bureaucracy means that while these groups are “autonomous” of domestic social forces, they lack autonomy vis-à-vis international financial institutions. Indeed, in most cases the handful of local experts may be so pre-occupied with the donor demands and schedules that they have little time to engage in dialogues with local social actors and thus build consensus on policy matters. The technocrats can also arrogantly and falsely claim that technocratically there exists no other options than the one they propound thus severely curtailing national debates on the vital issue of economic policy (Haggard and Kaufman 1992).

There is also the danger that the overemphasis on the technical constraints to the formulation or implementation of a particular set of policies may encourage technocraticism—“the exclusionary exercise of political influence on the basis of technical knowledge”. Worse, it may generate “solutions” that are politically subversive of democratic governance.

**CHOICELESS DEMOCRACIES?**

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18 Ninolowo (1995) suggests that the scientific “ethos” of universalism, collective epistemic ownership, selflessness and institutionalised scepticism is “inextricably” compatible with democratic properties. Consequently he sees the current wave of democratisation as being good for the technocrats.

19 The case of Nigeria is enlightening in this respect. The Nigerian government, apparently at the behest of the international financial institutions, simply recruited as Minister of Finance an economist who had not only been outside the country for a long time but had also been an employee of the World Bank. As Economic Minister of Planning it appointed a Harvard trained Nigerian who had spent most of his time in the US and “was not well integrated into the mainstream of the national economics profession” (Bangura 1994). In a number of countries nationals have been attached to Finance Ministries but paid international salaries by donor agencies.
The way SAPs are packaged and sealed poses serious problems to the consolidation of democracy in Africa. The rigid prerequisites, inflexible built-in positions and the proliferation of cross-conditionalities of the programmes force the decision-makers into a take-it-or-leave-it corner, ruling out dialogue or creative political compromises within society at large. In much of the literature on SAP and democratisation, it is assumed that the former as propounded by international financial institutions is either the right thing or simply inevitable and the latter must either facilitate or accommodate the former. In the words of Mrs. Thatcher, “there is no alternative”. Mr. Summers, in an introduction to the World Bank publication *Voting for Reform*, premises his discussion with an assertion that “policy-makers know much more on how to design a technically sound adjustment than they do about how to get adequate political support to sustain such a programme”. The problem as he sees it is “how to preserve the benefits of democracy without letting popular forces subvert the economy that supports them” (Summers 1994:xii). There is, in this view, no consideration of the reverse question: how to carry out the necessary economic reforms without destroying democracy. What we are left with is a rather perverse ordering of things. Politics is reduced to servicing a technocratically defined “welfare function” instead of the technocrats devising the instruments necessary to meet a democratically specified “social welfare function”.

This position severely limits the domain of competence of democratic governance by foreclosing debates on a wide range of issues of political economy such as income distribution (intratemporal and intertemporal), taxation, protection or non-protection of certain economic activities etc. Any economic policy has its trade-offs among which political choices and decisions must be made. In a democracy this may lead to serious national debates, the outcomes of which cannot be fixed *a priori*. However, in the current embrace of political liberalisation the view seems to be that free debate will ineluctably lead to a political consensus in favour of orthodox SAPs. Such a view leaves little room for compromise and can ultimately undermine the institutionalisation of broad consultative processes of both parliamentary and ex-parliamentary nature to cultivate popular understanding, contribution and adhesion to national policies. And as Amadeo and Bauri note, the failure of the state does not derive from its refusal to adhere to a theoretical dogma. Rather, “it derives, in the short run, from its abandonment of the goal of governance in favour of theoretical certitude; and in the long run, from its inability or unwillingness to create or modify institutions to facilitate the management of conflicts which are forever changing in form and intensity” (Amadeo and Banuri, 1991).

We noted earlier that the overwhelming ideological and intellectual dominance of neo-liberalism and neo-classical interpretations of the nature and performance of African economies has persuaded leading actors in the democratisation process that there is no alternative to orthodox SAPs. Such a view not only underestimates human capacity to think but reduces democracy to an essentially choiceless process in which the “silent compulsions of market
forces” reign unchallenged by human will and collective action. It also yields unnecessarily to the inflated claims of the “Washington Consensus” over the desirability and efficacy of its nostrums. First, it should be recalled that the key arguments in the neo-liberal doctrine are essentially about the static allocative efficiency of markets. There is no obvious theoretical link between the attainment of such static efficiency and economic growth. Second, the triumph of neo-liberalism has much more to do with the crisis of the welfare state in the developed countries, the unravelling of the Keynesian paradigm, the political mood in these countries (Thatcherism and Reaganism being the most articulate expressions of the change) and the financial muscle of the international financial institutions than the conclusive theoretical proofs in economic theory that markets are always best or a consensus among economists. In any case the dismal performance of African countries cries out for an alternative.

THE POLICY TRENDS UNDER DEMOCRACY

We noted earlier how the new democratic regimes have generally pronounced themselves in favour of neo-liberal policies including the strengthening of the role of transnationalised technocracies. Why have new democracies accepted a policy package which may undermine the coalition of pro-democracy forces that toppled the ancient regime?

There are many plausible answers to this question. One may be the ideological underpinnings of these movements and their understanding of the roots of the crisis. In the discussion of adjustment and political transformation, little attention has been paid to the platforms of the main political actors in the African political arenas. In the absence of careful reading of the platforms of these movements, there has been a rush to judgement as to whether these movements have kept their promises and stuck to their programmes or have been hoodwinked by the leadership. In most cases what groups are expected to want has been read off from theoretical presuppositions about what views such social groups will espouse. What is clear is that in a number of the African movements for democracy, business interests have played a central role in the struggle for democracy as witnessed by the role of such interests in the Movement for Multi-Party Democracy (MMD) in Zambia, the United Democratic Front (UDF) in Malawi and the two FORDs in Kenya. Ironically, these groups have generally been spawned by the dirigiste strategy that they now so fervently oppose either as managers of state enterprises who on the side have established their own private industries or as private capitalists who grew up under “indigenisation” programmes implemented in the post-colonial era. Ideologically, such groups are now attracted to the neo-liberal ideologies although they would still insist that the state somehow protect them from

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20 Helleiner (1994) elegantly summarises areas of consensus and conflict among professional economists.
foreign competition or continue to subsidise them while, of course, removing subsidies to other social groups. This partly explains the ambivalence of such groups towards SAP because while they wish to roll back the state in a number of areas affecting other social groups, they wish the state to continue being active in those areas in which they need its assistance.

The second reason might be simply a visceral reaction by the new governments to the policies pursued by their predecessors. Writing on Latin America, Maravall notes that democratic regimes are more prone to “political learning” from past experiences than authoritarian ones. However:

Such learning was primarily “negative” ... resulting in the adoption of certain policies on the basis of a process of elimination. Indeed, many governments turned to neo-liberal blueprints because they seemed to be diametrically opposed to those they had in place at the time. A new “cargo cult” emerged: the policies were widely expected to deliver the goods that had so far eluded those societies (Maravall 1994:22–23).

A similar “political learning process” seems to have taken place in Africa to the extent that the crisis is attributed to state “dirigisme”, which is in turn associated with authoritarian rule and corruption, the new movements are inclined towards equating economic liberalisation with the demise of dirigisme and authoritarian rule. Not surprisingly, in some cases the leading lights of these movements, through reaction to the wasteful authoritarian intervention of the past have been taken in by the simplistic equation of economic liberalisation with political democratisation. One should add to this the fact that the triumphalism of the West and the ascendancy of neo-liberalism does affect political discourse in Africa. The hegemonic political discourse in the post-Cold War era has been strongly neo-liberal in both its economics and politics.

The third, and probably more binding reason, may be the discovery that the “objective conditions”, including the gaining of credibility with international financial institutions, are such that there are simply no alternatives. This is particularly the case when economic conditionalities imposed by international financial institutions are indifferent to the political exigencies of new political dispensation. Indeed, in a rather perverse way, the international financial institutions have tightened up the conditionalities precisely because of the willingness of the regimes to gain international credibility which they believe their predecessors may have squandered. The newly elected governments are keen to reach agreements with the institutions or to have funds released where they

21 The case of Zambia’s administration of an overdone SAP is in itself a good example of this phenomenon. Faced with a donor community and private investors that had lost faith in the government’s commitment to SAP, the newly elected government of Chiluba sought to improve its image by bolstering its faltering fiscal measures. Adam notes that “in the absence of other mechanisms to signal its commitment, the government chose to accelerate the liberalisation measures even though this distorted the logical sequence of reform and imposed significant costs on the economy later in the stabilisation process” (Adam 1995:738). The effect of all the various measures on the government’s discretionary expenditure was dramatic. Increases in interest charges on public debt rose by 285 percent in real terms. The interest charges represented 25 percent of total domestic revenue.
may have been withheld due to failure by the predecessors to meet the conditionalites of the international financial institutions. These regimes may not have the luxury of protracted negotiations with these institutions that the previous regimes may have had. And so the need for some symbolic demonstration that things are moving on the economic front may be pronounced under transitional democracies.

A fourth reason might be a misreading by these movements of the economic consequences of the support by the various donors of democratisation processes. There seems to be a genuine belief that, based on the avowed pronouncements of the donors, new democracies will definitely receive more financial aid than the dictatorships that they have overthrown. This expectation is most conspicuous in countries in which economic sanctions had been used by the donors to help dislodge the dictatorship. In the event nothing of the sort seems to be happening. Indeed, the downward trend in aid allocation has continued. This has led to pronouncements by African leaders on the dire consequences for democratic transitions of lack of financial support. Chiluba, Soglo and Muluzi have each given warnings to this effect, with Muluzi rather ominously, that people do not eat democracy but food.

**CONCLUSION**

This paper has been written on the premise that the current efforts at democratisation should be supported and that economic policy and the mechanisms used in making it should be supportive of these endeavours. In judging the relationship between democratisation and a given set of policies it is important that such economic policies meet a number of criteria. The first of these is that they must be based on some form of social consensus. The second is that they must contribute to the legitimacy and consolidation of the democratic process of governance by both their form and the content of decision-making underpinning them. The third is that if groups are to abjure non-democratic politics, they must be convinced that these channels are open to them for processing their demands. The fourth is that these measures must be efficient in resuscitating economic growth while minimising the social costs. Conversely, a democratic regime will be judged as successful if it adopts policies that meet these goals. This is in sharp contrast to a tradition that described democratic regimes as “successful” if they adopt SAP without considering the actual economic and political outcomes of such policies.22 The fifth is that there is

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22 The World Bank has tended to measure success in terms of movements in the levels of policy instruments—less expansive monetary policies, budget deficits that are lower or constant as measured in terms of GDP, depreciation of real exchange rates, increase in interest rates, elimination or dramatic reduction of the gap between official and parallel exchange rates etc. The assumption has simply been that if these are moving in the “right direction”, then you will have growth. However, it is now widely recognised even by the Bretton Woods institutions that recovery so far has been modest relative to the reform efforts and the movements in the “right direction” of policy instruments.
Thandika Mkandawire

room for solidarity with the democratic experiments in Africa, ranging from debt relief to increased aid. Even more important is the provision of the sort of global policies that will enable the democratic regimes (through trade and investment) to sustain high economic performance in a highly competitive world.

The implications of this paper are that we must continue to explore alternatives that can lead to “democracies without tears”—policies that ensure revival of economic development and which are devised by democratically sanctioned institutions.

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INTRODUCTION

Recently, there has emerged a renewed interest in the role which the African state can play in the quest for a sustainable programme of economic reform in the context of the apparently intractable difficulties that continue to afflict the economies of the countries of the continent. This renewed interest has mostly centred around the problems of and prospects for the resurrection of a state project in Africa that is both democratic and “developmentalist” (Evans et al., 1985; Evans, 1989; Krugman, 1992; Mkandawire, 1995; Odén, 1995; Leftwich, 1995). The emphasis on long-term developmental issues together with an increasing recognition of the limitations of the “free” market as an agency for reversing African socio-economic underdevelopment represent a far cry from the single-minded anti-statism that characterised much of the discourse in the late 1970s and early 1980s about the economic future of Africa. In this regard, it is possible to argue that the new interest in the developmental state represents the early beginnings of a shift in the paradigm within which the academic and policy discourse on Africa’s economic future is formulated. Indeed, Krugman has gone so far as to characterise it as marking the onset of a “counter-counter revolution” (Krugman, 1992).

This essay is concerned with assessing the impact which recent efforts at reform have had on the African state. These reform efforts have, broadly, had two dimensions to them, the first economic, the other political. Both dimensions are organically inter-connected and there are several senses in which the one flows from the other. The economic reform effort commenced from about 1980; the quest for reforming African politics gathered momentum towards the end of the 1980s. Not only did the economic reform process precede the political one, many scholars are convinced that the latter issued directly from the former (Olukoshi and Wohlgemuth, 1995; Mkandawire, 1995; Gibbon et al., 1992; Beckman, 1988a, 1988b, 1990; Bangura and Beckman, 1991). That being so, it becomes clear why many will consider the effort at economic reform from 1980 onwards as the main framework within which much else in Africa has been taking place. Our focus in this essay will, therefore, primarily be on the impact
which the quest for reforming African economies has had on the state. This reform effort also included specific attempts at reforming state structures and processes in a number of African countries.

Without prejudice to the variations in the timing of the adoption of market-based economic reform programmes by various African governments, there can be no doubt that over the last fifteen years, structural adjustment and stabilisation programmes designed and favoured by the International Monetary Fund (IMF)/World Bank have been the principal framework for the effort at reforming African economies. Any discussion of the impact on the state of recent economic reforms is, therefore, an assessment of what the programmes have meant for the state and its institutions in Africa. At one level, the programmes have basically entailed attempts at retrenching the state and replacing its economic interventionist roles with market-based mechanisms. These market mechanisms have, in the main, centred around currency devaluation, foreign exchange market deregulation, interest rate deregulation, trade liberalisation, price de-control, and public enterprise privatisation/commercialisation/liquidation. At another level, they involve a simultaneous commitment to redressing the imbalances between national/governmental income and expenditure. This has mostly translated into the implementation of restrictive monetary and fiscal policies, the withdrawal of subsidies (real and imagined), the imposition of user charges as part of a broader effort at cost recovery, the strengthening of revenue collection mechanisms, the contraction of the workforce of the civil service and parastatals, and the privatisation/commercialisation/liquidation of public enterprises.

Both of the core elements of stabilisation and adjustment have had direct implications for the state. So too do their consequences for the economy, the society, and the polity not only in terms of their overall effects on a variety of social groups and institutions but also in terms of the way in which they serve to alter the structure of rewards and penalties in the adjusting countries. Furthermore, various supportive/supplementary elements built into the market liberalisation process, including efforts at sectoral reform, have had implications for the state. Of particular relevance in this regard are policy packages aimed at reforming the civil service as part of the wider reform of the state. We will attempt to pin-point the various dimensions of the ways in which both the core and supportive/supplementary elements of the economic stabilisation and reform effort have affected the state. We argue that, on the one hand, the one-sided anti-statism of the structural adjustment years has severely undermined state capacity in Africa, with dire consequences not only for the economy but also for the polity and society. Yet, on the other hand, given the adverse effects for other social actors of structural adjustment policies and the failure of an autonomous/“pure” private sector to emerge as a credible resource for market reforms, most African countries are caught in an ironical situation in which, on the whole, an increasingly hobbled state with a diminish-
ed political legitimacy and social reach remains the dominant player in the political economy. Thus, the blind and misguided anti-statism of the adjustment years has produced not a “rational”, market-driven alternative order resting on independent private initiative but, rather, a wobbling statism with a strongly repressive and arbitrary edge.

On the premise that it was a fundamental flaw of philosophy and policy to oppose the state to the market in Africa in the very simplistic way that the neo-liberals did, we argue the case for deliberate steps to be taken to restore state capacity and the public purpose in the economic affairs of the continent. This can be done within a political framework which is participatory and representative and an economic context that promotes long-term developmental goals through a creative combination of public and private sector resources. This implies a jettisoning of the zero-sum market approach that is inherent in the neo-liberal structural adjustment package and the creation of mechanisms for ensuring that both the state and the market are made more complementary and accountable. The principal issues in Africa’s development ought not to be conceptualised any more in terms which oppose the state to the market in the way in which the adjustment model does; it is inconceivable that the market itself could ever be a credible agency for development without an effective state just as the state itself cannot conceivably take on all economic tasks, big and small, without producing too many dysfunctions and to the exclusion of all private initiative. In this regard, it is important to move away from current orthodoxy which insists, against all historical and contemporary evidence, that the promotion of development thrives better under a “minimalist” state regime. What Africa needs in its quest for development is not less state but better state action (Leftwich, 1995; Mkandawire, 1995).

THE STATE IN THE PRE-ADJUSTMENT POLITICAL ECONOMY AFRICA

It is now widely acknowledged that most African countries attained independence in the 1960s in a broad context in which the market was still, by and large, underdeveloped as a mechanism for national development. This fact, together with the historical origins of the post-colonial state as a specific imperial/colonial project meant that it was, from the outset, heavily interventionist. The interventionist role which the state carved for itself in the economy was reinforced by what most post-independence governments saw as one of their most urgent tasks, namely the promotion of rapid economic development. The state was seen as the most coherent, if not the only local actor capable of leading the onslaught against socio-economic underdevelopment. To varying extents and with varying degrees of success, it sought to play this role in partnership with transnational state and private capital from the East and West whilst simultaneously taking steps to promote the formation of an indigenous business elite. It also actively solicited bilateral and multilateral
“development aid”, mostly of the project type, in support of its developmentalist role.

Organically inter-connected with the state’s strong economic role was its pre-eminent role in the political process. If rapid economic transformation was seen as one side of the immediate tasks of the independence period, the other side was national integration. Not only was national unity seen as central to the attainment of the objective of rapid economic development, the state was also seen as the main actor capable of constituting it. Success with rapid economic development was, in turn, expected to help erase the plethora of “primordial” differences which stood in the way of the nation-state project. Thus, both at the level of the economy and in the polity, the state came to play a dominant role which, in practice, translated into the increasing centralisation and concentration of political and economic powers. True, there were countries that, in the parlance of the Cold War context within which African countries attained independence, considered themselves “market”-oriented as opposed to those that explicitly espoused “socialist” state ownership and the many others that concocted their own ideological variants - humanism, authenticity, negritude, etc. These differences in emphasis notwithstanding, the centrality of the state and, in many cases, of the state party and the “father of the nation” was not in doubt in the overwhelming majority of African countries.

The international environment at the time most African countries attained independence was largely favourable to state interventionism in the economic development process. In the East bloc countries and China, different degrees of centralized planning were in place as were different variants of state ownership of economic assets. Many within and outside Africa were inspired by the Soviet Union’s rapid industrialisation under a regime of centralised planning that gave prominence to heavy industry. In the West, planning systems were also in practice albeit on a less massive scale than in the East. Much of the economic processes in Western countries and in the world economy was built around the decisively interventionist ideology of Keynesianism with its emphasis on the role which the state should play in checking market failure/myopia and promoting social welfare, including the goal of full employment. The leading donor institutions, bilateral and multilateral, similarly operated in a framework which took state interventionism in the economic processes for granted. Many practitioners of development were in fact sympathetic in their outlook to the new post-colonial states of Africa and mobilised economic and political resources in its support. This was without prejudice to the assistance which they extended to private sector development in Africa and other Third World countries. It was, after all, the era of what Ann Phillips describes as the ideology of development in which public institutions were given a central position in shaping the direction and pace of economic change. A variety of “big push” theories was propounded which argued the case for a central role for the state in the development process. The “Gerschenkron thesis” even went further to insist on the inevitability of state interventionism in the economic development
Adebayo Olukoshi

process. Citing historical evidence, the thesis attempted to show that “late industrialisers”, if they were to catch up, would have to accord a more prominent role to the state than those who had industrialised before them (Gerschenkron, 1962; Phillips, 1977; Robertson, 1984; Olukoshi et al., 1994; Mkandawire, 1995).

Contrary to the impression created by the neo-liberals in their ideological onslaught of the 1980s that only unremitting stagnation characterised African economies under the post-colonial state interventionist regime, most African countries did, in fact, record economic growth levels during the 1960s and early 1970s which, by the standards of the 1980s and the 1990s would be considered quite good (Mkandawire, 1995; Gibbon, 1995). In most cases, these growth levels enabled the state to extend its social reach through the expansion of modern educational, health and welfare facilities beyond anything the colonial state ever achieved. The extension of various social/welfare programmes in the post-colonial period served, in turn, to enhance the legitimacy of the state. It was also an integral part of the construction of a post-colonial “social bargain” out of the anti-colonial nationalist coalition that ushered the countries of the continent to independence. Populist/radical to varying degrees, the economic face of this bargain included an attempt to boost domestic consumption, Africanise certain aspects of the economy, encourage self-reliance (if necessary through nationalisation of foreign, mostly transnational capital and the public ownership of assets), and promote an import substitution industrialisation project. Its political side involved, inter alia, the extension of the Africanisation project into the civil service and an elite recruitment process that was tailored, in varying degrees, to the officially stated objectives of national integration. The nature and dynamics of the “social bargain” tended to reinforce the interventionist role of the state in the economy and society and it appeared, for a while at least, to fit well into the goals of nation-building and the role which rapid modernisation was expected to play in it.

The sustainability of the post-colonial “social bargain” and the possibility of its extension were closely tied to the performance of the economy and the capacity of the state to maintain steady growth rates. During the course of the 1970s however, especially after the first oil shock, African economies began to experience a process of decline that gradually deepened. The diminishing terms of trade for much of the continent’s exports combined with the rigidities produced by a static conception of the form and content of state interventionism to produce a gradual slide into crisis. Matters were not helped by the increasing bureaucratisation of the economic decision-making process and the organic inter-connection of that process with forms of patronage that were becoming increasingly dysfunctional. Many governments resorted to deficit financing on an ever-increasing scale in order to meet their expenditure obligations but this only fuelled inflationary pressures in the economy. In the face of diminishing export receipts and rising public expenditures, the “social bargain” that underpinned the post-colonial political economy became increasingly difficult to sustain. In many countries, the relatively high economic growth rates of the
1960s and early 1970s were, in fact, accompanied by growing social inequality with adverse consequences for the social bargain. Growing dissatisfaction with the dwindling quantity and quality of the state’s social/welfare programme as well as concern with rising incidences of absolute poverty and corruption resulted in increasingly open protests which, in many cases, were treated by incumbent regimes as essentially subversive of national unity and were, therefore, met with repressive responses. Feeling threatened by growing popular pressures, most African governments sought to narrow the political terrain as much as possible in order to limit the potential for effective opposition or alternatives. Military oligarchies and life presidencies presiding over economic decline increasingly concentrated and centralised power in the hands of a minority of people who were already alienated from the majority of the populace. In those parts of Africa where direct military dictatorship had not been imposed, de facto or de jure state parties, almost invariably backed by the military elite, were in power presided over by authoritarian, self-styled father figures. The intensifying Cold War context of international relations during the 1970s fed into and reinforced the authoritarian political structures that were developing/consolidating in most of Africa as the rival military-ideological blocs sought to gain maximum political and strategic advantages for themselves in their struggle for global dominance.

By the time of the second “oil shock” in 1979, it was clear that the entire basis of the post-colonial model of accumulation in Africa was becoming increasingly difficult to sustain. The “oil shock” served in the main to hasten the collapse of the model. As the crisis deepened, so too did governments attempt to impose various types of austerity whose overall effects were most directly felt in declining living standards and, with them, declining social/welfare services. This, together with the repressive political environment which governments imposed led to direct questions being raised in many parts of Africa about the legitimacy not only of the government but also of the entire nation-state project. The debt crisis of the early 1980s and the huge strain which it created for most African economies meant that even greater amounts of resources had to be diverted from the domestic arena to the external in the form of debt service payments. In several parts of Africa, many governments increasingly found it difficult to meet their recurrent obligations, including the payment of the wages and salaries of public sector employees. A process of decay in the physical infrastructure also set in. In many respects therefore, the economic crisis of the 1970s and the worsening dimensions which it took as the 1980s began marked the beginning of the dissolution of entire post-colonial “social bargain”; structural adjustment was to be the hammer with which the final nail was driven into its coffin.
THE POST-COLONIAL STATE IN THE DOCTRINE OF STRUCTURAL ADJUSTMENT

In the face of the deepening crisis of the post-colonial African political economy, many critics within the continent began to raise direct questions about the nature, content, and direction of state interventionism in the economy. Particularly prominent among the issues raised in the criticisms were the twin problems of growing corruption and inefficiency. Some of the critics who championed the internal campaign against these problems were forced into exile, or jailed, or even murdered. It was these questions that were to be seized upon by the World Bank and its “political economists” in the articulation of their attack on the post-colonial African state. Yet, many of the internal critics of the post-colonial state were essentially interested in reforming the principle and practice of state interventionism in order for the state to play its economic and social roles more effectively rather than rolling back its frontiers entirely. But not caring to make this distinction, the Bank and the Fund were to launch a direct and spirited attack on the state with the explicit purpose of curbing it, given what was seen as its inherently negative role as an economic agent (Beckman, 1988a, 1988b).

By the early 1980s when structural adjustment began to make its entry into the economic crisis management framework of African countries, neo-liberal ideas had gained in ascendancy over Keynesianism in the leading Group of Seven industrialised countries which dominate the affairs of the IMF and the World Bank. Not surprisingly, both Bretton Woods twins also radically altered their lending policy to reflect the priorities of the neo-liberal agenda whose spread was made even faster first by the rise to power in Britain, the United States and Germany of right-leaning, market-inclined governments as evidenced by the articulation of the doctrine of Thatcherism and Reaganomics and then by the collapse of the Soviet bloc and the system of collective/state ownership and central planning that was one of its distinguishing hallmarks. All of the former centrally planned economies were in fact to rush into the adoption of “free” market economic policies, a spectacle which led one observer, Francis Fukuyama, to claim, rather hastily and simplistically, that the world was witnessing “the end of history” in its affairs. The developments in the West and in the former Soviet bloc combined neo-liberal triumphalism to create the impression of an inexorable march by all humankind towards “free” market policies and ideas. For those African countries that either still had not adopted IMF/World Bank adjustment measures or which were reluctant to proceed with them, the unmistakable message which was sent to them by the multilateral donors was that no viable alternatives existed.

Unlike the Keynesians who saw the state as a positive player in the fight against market failure/myopia and unemployment, the neo-liberals saw the state as essentially evil, even wicked, obstructing the smooth functioning of the forces of the market, the “rational” allocation of scarce resources, and the unrestrained exercise of private initiative. In support of the “free” market, they
advocated the dismantling of the post-war regime of fixed exchange and interest rates as well as the implementation of a generalised liberalisation of the economy and trading regimes in order to permit open, unrestrained market competition. More than unemployment, they saw and treated inflation as the public enemy number one whose eradication was also the most urgent national and international economic task. In support of this anti-inflationary stance, they advocated the pursuit of restrictive monetary and fiscal policies. These policies were considered to be fully workable only if trade union power and influence was substantially curtailed to enable the overbloated welfare state to be cut down to size and the system of subsidies which it built in the post-1945 period dismantled (Olukoshi et al., 1994; Tarp, 1993; Gibbon et al., 1992). What the neo-liberals pushed for, in essence, was an idealised state which played only the most minimalist of roles in an idealised, largely self-regulating market economy.

The conception of the post-colonial African public sector that flowed from this neo-liberal doctrine and which underlay the IMF/World Bank structural adjustment model was one which, essentially, treated the state and its key agencies and institutions as the primary obstacle to the economic development of the continent on the basis of a market-driven logic in which independent, competing private sector interests are central. Not only was the post-colonial state involved in the economy in a manner which, inevitably, resulted in the misallocation of resources and the flowering of distortions that impeded efficiency, it did so to the detriment of the rural majority of Africans and to the benefit of a small urban minority that was assiduously courted by a legitimacy-hungry political elite. The urban population to which the state pandered got its way in a lot of matters both because, unlike the silent, long suffering rural majority, it was well organised and vocal in pressing it demands. Not surprisingly, the internal terms of trade and overall structure of incentives in most African countries were weighted heavily in favour of the urban areas against the rural areas, to the advantage of urban import substitution industrial projects and to the detriment of rural agriculture. A host of subsidies was devised for the benefit of the urban populace and it was also in the urban areas that the best and most modern infrastructural facilities and social amenities were largely concentrated. Similarly, price controls were enforced for the benefit of the urban population and to the detriment of the rural poor. The state created a host of monopolies which served the primary purpose of feathering the political and economic nests of the urban-based elite.

It is important to note the way in which the critique of the post-colonial African state built into the structural adjustment model opposed the public to the private, the rural to the urban, the formal to the informal, and agriculture to industry in a one-sided manner. This critique was to be further developed through a copious borrowing by the World Bank from recent American, mostly behavioural political science writing on Africa (Gibbon, 1995; Mamdani and Wamba-dia-Wamba, 1995). Highly deductive in their analyses, these writings
were increasingly tailored during the late 1980s and early 1990s to the objectives of neo-liberalism in Africa, addressing questions of the “political economy” of adjustment initiation, timing, sequencing/phasing, and sustainability. According to the Bank and its intellectual allies, the fact that the post-colonial African state depended on patronage networks for its survival meant that the thrust of economic policy was directed at buying the support of urban-based groups. In return for the space and/or silence which this earned the political elite, they drank freely and deeply from the public trough to the continuing detriment of the economy. The proliferation of “rent-generating” and “rent-seeking” activities in the economy added up to produce an all-pervading environment of corruption, inefficiency, and waste that translated into dramatic economic collapse during the 1970s and early 1980s. For the neo-liberals, the experience of economic decline which African countries underwent was evidence enough that state failure was much more costly to handle than market failures which are often brief and are more easily prone to self-correction. The entrenchment of a statist, patronage-driven logic in the fabric of African economies and societies meant that the state itself could not be expected or trusted to take measures aimed at freeing the market and deregulating the economy. That task had to be initiated by the (multilateral) donor institutions well placed to exercise a leverage over the state and to influence its policy options. The basic economic policy framework for doing this was the structural adjustment package; conditionality was the principal instrument that was to be employed in ensuring that the state adopted the package and implemented its contents (Gibbon, 1995; Mkandawire, 1995; Mamdani and Wamba-dia-Wamba, 1995; Haggard and Kaufman, 1992; Doornbos, 1990; Herbst, 1990; Nelson, 1989; Diamond, 1988; Hyden, 1988; Beckman, 1988b; Ergas, 1987; Bates, 1981, 1986; Jackson and Rosberg, 1982; Lipton, 1977).

To be sure, the urban coalition and state officials immersed in rent-generating/-seeking and in an array of patronage activities which would resist the implementation of (thorough-going) market reforms because of the direct threat to their interests which it would imply. Given this fact, the World Bank and its allied political economists concluded that the state was also the single most important obstacle to the orderly and successful implementation of structural adjustment. Variously described by different analysts with such epithets as “prebendal”, “crony”, “neo-patrimonial”, “over-extended”, “lame leviathan”, “kleptocratic”, “parasitical”, “predatory”, “weak”, “soft”, and “rentier”, the state was seen as a legitimate target of attack in the structural adjustment model. From being the cornerstone of development in the pre-adjustment period, it was now seen as the millstone holding back a system of market-led development which, a priori, was defined as efficient. Where its role in the economy was seen as essentially obstructionist and negative, the market and the private sector were extolled for their virtues. The state was seen as being co-terminus with irrationality; the alleged hallmark of the market was its rationality. Increasingly, the impression which the Bank, the Fund, and the new
“political economy” school allied to them created was that the state was a source of failure for the basic reason that it was the state and the private sector, which was to be groomed through structural adjustment to take its place, was the only source of promise for no other reason than that it was private and therefore closer to market processes. Where the state was to be mercilessly retrenched and put in its rightful place, the market was to be unbound and allowed to flower unrestrained.

For the multilateral donors led by the IMF and the World Bank, it was not enough that African states declared themselves prepared to adopt just any type of reform; the message which the Fund and the Bank sent out in the early 1980s was that only the structural adjustment programme prescribed and monitored by them would do. The various regimes of austerity which African governments put in place as the domestic economic situation deteriorated were dismissed as being too little too late and failing to tackle the structural roots of the economic crisis. Indeed, these austerity programmes were vilified for failing to involve measures aimed at rolling back the state decisively and, in doing that, freeing the market. The alleged reluctance by governments to implement thorough market reforms of their own accord was seen as evidence that, at one level, sustained pressure had to be applied to compel adoption of IMF/World Bank measures and, at another level, the implementation of the measures had to be closely monitored at every stage to ensure that the reform process was kept on course. This was bound to entail a massive involvement by the multilaterals in the day to day management of the economies of the adjusting states but that was a price well worth paying. In any case, it was not yet the season to be concerned with the ownership of the adjustment package; the urgent task at hand was to get the reforms under way.

THE IMPACT OF STRUCTURAL ADJUSTMENT ON THE POST-COLONIAL AFRICAN STATE

As we noted earlier, the application of conditionality was the primary means by which the multilateral donors who designed the adjustment framework sought to ensure that African states adopted and implemented their reform programme. Conditionality basically implied that African governments could only expect to receive donor funds and support if they agreed to adopt and implement policies reforms prescribed by the Bretton Woods twins. This, in the context of the dependence of many African governments on donor funds and their growing external debt problems, meant that the IMF and the World Bank were well-positioned to compel adoption of their favoured policy options. The effectiveness of the leverage exercised over African countries by the Bank and the Fund was further reinforced by a system of cross-conditionality whereby bilateral donors agreed to do business with governments on the continent only when they had made their peace with the Bank and could produce a clean bill of health from the Fund. Holders of the African debt, organised into the Paris
and London clubs, similarly insisted on prior agreement with the Bretton Woods twins before agreements on debt rescheduling could be concluded (Havnevik, 1987; Engberg-Pedersen et al., 1995). Buffeted on all sides by pressures requiring them to reach agreements with the Fund and the Bank, most African governments caved in and concluded agreements with the Bretton Woods twins on the implementation of adjustment measures.

Conditionality and cross-conditionality had direct implications for the state. At one level, African policy makers increasingly lost control over key aspects of economic decision-making and implementation to multilateral institutions over which they exercised little effective influence. In the worst cases, officials of the IMF and the World Bank or “independent” consultants contracted by either or both institutions were seconded to be physically located in the key economic departments and agencies of several African countries with a view to designing and monitoring implementation of the reform policies. But even where officials of the multilateral agencies were not physically emplaced in the economic bureaucracy of a few African countries, the requirement that governments submit themselves regularly to monitoring missions from Washington represented another dimension of the erosion, in a radical manner, of the sovereignty of African governments over economic decision-making. Of course, this sovereignty was never absolute and it is doubtful that given the trends towards globalisation, it can ever be. What African countries however experienced was the almost complete takeover of the policy terrain by multilateral donors with state officials merely reduced to implementors of the preferences that emanated from the Bretton Woods twins.

True, many of the governments were undemocratic and cared little about accounting to the people but that was hardly a convincing excuse for the patent insensitivity that accompanied conditionality in a terrain where the memories of colonial domination are still fresh. Furthermore, the increased and increasingly direct influence which the donor community sought for itself in the economic policy terrain of African governments, however well-intentioned, was not accompanied by any meticulous attention to ensuring that they also took responsibility for the consequences of the policies. In most cases, increased donor power over Africa’s economic future was not matched by increased responsibility. The direct exercise of leverage with the implicit and explicit threat of exclusion and sanctions associated with conditionality dealt a blow to the confidence of many state officials who entered into closed door policy dialogues feeling more like subordinates taking direct instructions on what had to be done by their governments. The cross-conditionality of the London and Paris clubs fed into this process of the subordination of state officials not to local, domestic imperatives in their countries but to donor perceptions and preferences.

At another level, the requirements for meeting the demands of donor conditionality increasingly meant that public officials accounted more to the Bank and the Fund and less to the people. In most countries where the structures of
accountability were already weak, conditionality served to further weaken them. Public officials generally spent an increasingly disproportionate amount of their time preparing reports, one after the other, for the Bank, the Fund, a host of bilateral donors, and the Paris and London clubs. This was in addition to the time spent with a variety of evaluation/monitoring missions and in undertaking missions to the Bretton Woods institutions, the Paris and London clubs, and other donors to negotiate/justify (further) financing. The sum total of all of this was that in many countries, governmental effectiveness became further impaired. As Gibbon notes, “...the increasing ‘donorisation’ of many branches of government activity ...(added) to ministerial administrative burdens” (Gibbon, 1995). The fact that the full details of the adjustment package and the monitoring terms agreed with donors were known only to a minority of the most senior officials also meant that inter-ministerial policy co-ordination became ever more difficult. Planning on a national scale was adversely affected and morale became low among the majority of officials who were not part of the elite that related directly with the donor community. In time, most African officials were to surrender policy initiatives to donors, a development which became so widespread as to prompt numerous anecdotes in World Bank circles about “lazy” officials who were ill-prepared for missions from the Bretton Woods twins and who had no ideas of their own to present.

If the secrecy that generally surrounded the content and performance targets agreed upon with the donors was a problem which impeded information flows within the governmental system, the proposal by the Bank on promoting local ownership of the adjustment package and insulating the managers of the programme from local influences/pressures that could derail the reform process represented an attempt mainly to save rather than review conditionality. For one, it was not clear that the adverse implications for the state associated with the particular quest for adjustment favoured by the Bank could be altered without a systematic re-visiting of the assumptions that underlay the adjustment model itself. For another, it was inconceivable that the mere substitution of Bank/Fund officials with local officials preaching the same gospel would amount to the creation of ownership in an environment where there was already widespread consciousness of the fact that structural adjustment was an external imposition. Furthermore, it was quite certain that ownership of structural adjustment by local officials did not, in the way it was defined, include the right to alter the basis or even the essential policy mix of the inherited adjustment package. Little wonder then that local ownership failed to take off in any serious manner, this in spite of the emphasis in recent times on “capacity building”.

As to the proposal that officials needed to be insulated from domestic pressures, this, like the ownership proposal, was closely tied to the problem of “slippage” in the reform process whereby officials failed to meet agreed targets on agreed dates and, for a variety of reasons, even reversed/diluted aspects of policy that had previously been implemented. Yet, insulation as a means of
checking the problem of “slippage” and backtracking could, even if it were conceivable that public policy and policy makers can be shielded from the local environment with all of the interest groups in it, only lead to a deepening of the problems of accountability. In this sense, insulation ran directly in the face of several important aspects of the objectives of “good” governance which the Bank set for African governments in the late 1980s and early 1990s. How, for instance, were insulated officials presiding over the implementation of a secretive programme of reforms which was not the product of internal policy debates or domestic political consensus, expected at the same time to be “accountable” or “transparent”? Furthermore, the notion of insulation peddled by the Bank was based on a highly idealised interpretation of the East Asian experience but, in fact, it corresponded to no known actual experience anywhere and could only possibly be realised through the sustained repression of local opinion and the decimation of civil society.

Still on conditionality, there are important respects in which the way it was structured was bound to be self-defeating even from the donor perspective. Once state officials absorbed the message that all they needed to do was play along with the donors in order to have access to their funds, the efficacy of conditionality as a policy instrument was undermined over the medium- to long-term. But more than that, conditionality resulted directly in the “donorisation” of the entire development process in a growing number of countries. In countries like Tanzania, Ghana, and Uganda where dependence on donor funds was highest, most activities of consequence were linked to the supply of donor resources, including hard currency balance of payments support. With policy performance so closely tied to the availability and regularity of supply of donor resources, it is clear that a new dependency was being created. This not only negated suggestions by the authors of structural adjustment that their aim was to launch Africa on the path of self-sustaining growth but it also reversed some aspects of the autonomous effort at self-reliance pursued by most African governments at independence. Furthermore, conditionality fed into the process whereby internal developments within various African countries were tuned to respond to donor impulses and preferences. Thus, instead of donor funds playing the role of supporting internally-generated initiatives, they increasingly were employed to back externally-driven objectives.

Beyond conditionality, structural adjustment also had implications for the state at the level of the effort to reduce governmental expenditure in order to eliminate imbalances in public finance. On the face of things, public expenditure in Africa would appear to have remained constant in real terms during the adjustment years; in reality, the picture becomes radically different once the increase in the level of debt repayment/servicing is subtracted. The curtailment of public expenditure was a key element of the objectives of structural adjustment and in seeking to realise it, specific steps were taken, inter alia, to further reduce the size of the public service in some African countries through various means. These included the retrenchment of staff, the imposition of a freeze on
employment into the civil service and parastatals, a freeze on public sector wages and salaries (initially at least) even as national currencies were being devalued, the curbing of subventions to parastatals and public enterprises as a prelude to their possible privatisation/commercialisation/liquidation, and the curtailment of public sector recurrent and capital expenses. These measures had different effects but one which has been fairly widely observed is the reduction of the administrative capacity of most African governments. The demoralisation of the civil service in most countries, the cumulative result of declining public sector pay and the air of almost permanent uncertainty that enveloped employment in the sector was reinforced by the declining reach of the state as functions which were previously carried out were severely underfunded.

The demoralising effect in the civil/public service of expenditure reduction fed into the weakening of governmental effectiveness to create, in many countries, a perceptible impression of paralysis and disintegration. This feeling was reinforced by the sharp decline in the level of resources allocated to equipment and maintenance in the public sector. The deterioration of physical infrastructure which began during the pre-adjustment years also took a turn for the worse. Matters were not helped in this regard by the tendency of most governments, in effecting cuts in public expenditure to meet targets which they had agreed with the Bank, to focus mostly on non-security/military items. Also, most governments tended to spread the cuts across the majority of non-wage public sector/civil service activities so that almost everything was underfunded (Gibbon, 1995; Engberg-Pedersen et al., 1995). Furthermore, the jettisoning of planning on a national scale and the discrediting of the post-colonial ideology of development without its replacement with a new organising principle resulted in the dis-orientation of the civil/public service in many African countries. Little effort was made to elaborate a new organising principle because the market, in its most extreme neo-liberal version, was peddled as essentially magical and not in need of any supporting props. The only challenge was to free it and literally sit back and watch as it performed wonders. Among state officials and in the private sector itself, partly on account of this gap, the view of market liberalisation that prevailed was one of a free for all where anything could pass. This notion was reinforced by the sharp decline in the capacity of the state in the face of the dismantling of its regulatory framework as part of the quest for liberalisation, and because of the underfunding of public agencies.

The privatisation/commercialisation/liquidation of public enterprises was a key aspect of the neo-liberal agenda for rolling back the state in Africa. Not all adjusting African countries had taken action in this area at the time this essay was written but the anticipation of action to rationalise parastatals had no less an adverse consequence for the state as in those countries where measures aimed at reforming the agencies had been implemented. In the one, expectation of rationalisation combined with declining real incomes to create an acute sense of insecurity as employees at all levels had serious doubts about institutional
survival beyond the short-term. In the countries where privatisation/commercialisation/liquidation were effected, little serious attention was paid to the positive social role which the institutions played nor their place in the overall pre-adjustment attempt to construct a national identity in fragile, multi-ethnic/multi-religious societies. Worse still, the generalised upward review in prices of services (but not in the quality of the services provided) associated with commercialisation and privatisation deepened the social crisis that had become prevalent in most adjusting African countries. In many cases, price/tariff increases did not necessarily translate into a more efficient service delivery.

The privatisation dimension of public enterprise reform in Africa brought out in sharp relief concerns about the nature of the private sector in much of Africa which had far-reaching political repercussions. In those African countries where this aspect of the market reform process had been started, interest was widespread in the question of who was buying what, at what price, and how. This question not only generated concern among some interest groups that “family” wealth was being sold off without adequate discussion among family members but also that in many cases, foreign interests were, through privatisation, taking over prized national assets very cheaply. Particularly agitating for many in East and Southern Africa was the role of Asian business interests in the privatisation exercise. The feeling was often openly expressed that privatisation was little more than the “denationalization” of the state to the advantage of foreigners who had access to greater financial resources and to the detriment of the country. Not surprisingly, in some parts of Africa, privatisation, like structural adjustment itself, became co-terminous with greater foreign control of the national economy. But even in places like Nigeria where a strong indigenous business elite was present, concern was expressed about the ethnic, regional, and class advantages which the sale of state assets was conferring on some to the detriment of others. Here, privatisation was seen as potentially threatening to the fragile fabric of national integration in a multi-ethnic, multi-religious society characterised by acute unevenness of development among the different geographical regions (Olukoshi, 1990; Mkandawire, 1994).

The non-transparency of the privatisation process in many countries reinforced patterns of patron-client relations which the exercise itself was supposed to eliminate. Public enterprises and parastatals were vilified by the World Bank and supporters of its adjustment model as hotbeds of corruption which were employed by state officials for building patronage structures and networks. Yet, the management of their privatisation simply served to reinforce these networks and processes, thereby undermining the credibility of the policy. Moreover, the widespread reliance of many of the privatised enterprises on preferential access to state officials and their patronage brought into question the rationale for their sale as did the fact that many of them continued to enjoy monopolistic advantages in the economy. Taken together with the li-
quidation of those enterprises that were considered unviable, among them large-scale factories that were hitherto managed by the state and projects that were deliberately located in disadvantaged areas as part of the quest to give those communities a sense of belonging, the privatisation policy fed into the crystallisation of secular and non-secular challenges to the nation-state in an environment characterised by increasing social fragmentation, economic decline, and de-industrialization.

The far-reaching adverse effects which the entire structural adjustment policy package had on the living and working conditions of the majority of the people in the adjusting countries has been extensively discussed in the literature. Particularly relevant to our analysis here is the collapse of public sector real incomes under the weight of repeated devaluation, spiralling inflation, subsidy withdrawal, the introduction of user charges in the social sector, sharp increases in utility tariffs, escalating transportation costs, and wage/salary freezes/cuts. As most public sector employees became increasingly unable to support themselves and their families on their wages/incomes, let alone meet other essential social expenditure, many who were in a position simply adopted what Mustapha has described as “multiple modes of livelihood” whereby individuals took on several activities in order to boost their incomes and consumption (Mustapha, 1992). Often not going beyond the level of subsistence, multiple modes of livelihood led to the insertion of the people involved in it into the burgeoning African informal sector. Increasingly, public sector employees pretended to be working and their governments pretended to be paying them; in reality, wages/salaries bore no relationship whatsoever to existing price levels and employees increasingly used official hours for their private ends, mobilising whatever was left of state/public sector resources to maximum personal advantage.

The generalised decline in income and in the quality of the working environment for public sector employees had direct implications for the state. Not only was morale adversely affected, efficiency and effectiveness were undermined as official hours were increasingly spent on articulating and pursuing multiple livelihood strategies. Furthermore, corruption in the public sector was worsened as employees sought all-manner of avenues for augmenting their incomes. In the worst cases, unofficial levies/taxes were imposed on most people who had any direct dealings with the civil service bureaucracy, the police/army, the judiciary, the customs/excise department, and whatever was left of parastatals. These unofficial taxes/levies were made particularly easy to rationalize in cases where, as state funding dried up, officials had to buy basic office equipment and materials themselves in order to keep a semblance of office work going. In such situations, the officials felt justified to tax the users of the services for which they were responsible. In many parts of Africa, a distinct feature of the adjustment years were the dual processes of the “privatisation” (that is, the conversion of public institutions for purely personal use or gain) and informalisation of state institutions.
The “privatisation” and informalisation of public institutions fed into the generalised prevalence of corruption in the public and private sectors. It also contributed to the further weakening of state institutions (Bangura, 1994). Diminishing administrative capacity, reinforced by an exodus of talent from the public sector (often to “greener” pastures abroad), and diminishing state legitimacy combined to create a veritable public sector institutional crisis. This, in turn, was mediated by the growth in ethnic, religious, and regional consciousness, which the deepening economic and social crises facilitated, to pose direct challenges to the entire post-colonial nation-state project in Africa. The decline of secular political identities in many African countries and the rise of non-secular ones even as the quest for political democratisation gathered pace in the late 1980s and early 1990s derived substantially, though not exclusively, from the social fragmentation associated with the long experience of economic decline which structural adjustment fed into. Unable to meet their basic social obligations and watching their world as they knew it unravelling, many were to seek solace in ethnic, communalist, religious, and regionalist associations some of which directly questioned the state as it was constituted (Olukoshi and Laakso, 1995).

In a handful of countries, the World Bank attempted to promote detailed policies aimed at reforming the civil service, supposedly to revitalise it and enable it to play its role as a night guard effectively. There were different elements to the reform package for the civil service, including differential wages/salary packages for workers in different governmental organisations in different parts of the country. The reform effort was however vigorously contested by civil service unions and the aspects that were adopted, such as the rationalisation of ministries and agencies and decentralisation, made little significant impact on the capacity of the service or the morale of the staff members who were left. Public sector wages/salary policies remained neglected and the lip-service to human resource development in the public sector was largely left at the level of rhetoric. The re-equipping of offices and the maintenance of buildings, where these were attempted, were not sustained. No serious attention had been devoted to the strategy by which talent could be attracted to and retained in the civil service; occasional acknowledgement by senior Bank officials of the severe collapse in civil service pay was never followed up with systematic discussion of how the situation could be reversed. The civil service in Africa was, in fact, a direct victim of the anti-statism that was built into the neo-liberal project.

While it is true that as many state organs and services went into decline, a variety of non-governmental organisations (NGOs), both local and foreign, tried to move in to perform mostly social but also political roles, the point ought to be underlined that relative to the magnitude of the problems which existed, the resources of the organisations could never be sufficient to meet the tasks before them. This fact underlined the faulty assumption in some donor circles that NGOs could supplant the state in many of its roles instead of
complementing and supplementing it. The experience in most African countries with NGOs, especially the locally incorporated ones, has, at best, been highly mixed. In many cases, their structure of accountability was found to be weak, the quality of services which they offered poor (in some cases, as in Tanzania, poorer than the services offered by the highly weakened state educational and health sector), and their level of institutionalisation very low. Several NGOs were established by individuals who also dominated them and employed them as vehicles for “primitive” accumulation in a context where donors were less keen to do business with the state (Kanyinga, 1995; Kiondo, 1995). If the NGOs were unable to effectively supplant the state, the various policies articulated as part of the social dimensions of adjustment failed to halt the social decline in Africa. Indeed, legitimate questions have been raised regarding the extent to which the social dimensions package could ever have redressed problems created by the very economic model on which they were predicated.

In the late 1980s, the World Bank, seeking to come to terms with the extremely poor performance of its economic reform package, focused attention on what it described as Africa’s crisis of governance. Attacking African governments as being too bureaucratised, corrupt and closed, the Bank made the case for the pursuit of “good” governance through the adoption of open and transparent procedures in governmental business, the formulation of predictable rules, the encouragement of the free flow of information, the promotion of an independent judiciary and a free press, and the encouragement of accountability by rulers to those over whom they rule. The Bank’s interest in governance was developed in the face of pressure on it from Western human rights organisations and in the context of growing agitations for democratisation in Africa and the countries of the former Soviet bloc. It also provided a new explanation on which the Bank attempted to anchor the limited achievements of structural adjustment. In this respect, the governance programme not only enabled the Bank to relate with the discourses in the late 1980s and early 1990s on democratisation and economic reform but also gave it another platform on which it hoped to “save” its adjustment model.

Yet, apart from the fact that the governance programme was developed as an expedient add-on to the Bank’s adjustment model, it was also clear that its main tenets were inherently incompatible with the demands of the neo-liberal project in Africa. The mode of introduction of the adjustment policies in most African countries was hardly transparent, conditionality tended to reinforce the structures of unaccountable government, a great deal of secrecy attended the implementation of the reform policies, and the political exigencies of the market reform package were authoritarian. In other words, the Bank’s notions of “good” governance were not compatible with its adjustment model. The fact that the Bank itself continued to be concerned with the implementation of its preferred reform policies above all else, however this was done, convinced critics that its programme of “good” governance was little more than an expen-
sive public relations exercise. It was clear that no government in Africa could ever expect to be rewarded by the multilateral donors if it opted for “good” governance over and above particular economic reform procedures or policies that might undermine the attributes of “good” governance spelt out by the Bank. Moreover, “good” governance was necessarily conceptualised as democratic governance or popular participation in the policy making processes of the African countries by their citizens (Olukoshi, 1995; Mkandawire, 1994). These are issues made important by the popular agitation in many countries of Africa for far-reaching political reforms that would open up the national political space and promote democratic participation and accountability.

If structural adjustment had the effect of undermining the state in Africa, the fact that it also devastated many other social groups, including those which were expected to be “winners” from the programme without producing the kind of robust private operators that were expected to champion it, created a paradoxical situation in which the weakened state sector remained the dominant force in the political economy. On the one hand, this weakened state sector remained strong enough, relative to the other social forces that were themselves victims of the adjustment process, to impose itself on society in different ways. On the other hand, many domestic interest groups were too exhausted by the effects of adjustment to do without it. Thus, even as the African economic crisis deepened and strident efforts were made to retrench the public sector, competition for access to what was left of the state intensified because of its continuing importance to the livelihood prospects and strategies of a variety of individuals and groups. A curious kind of statism therefore dominated the African landscape of the 1990s, a hobbled statism that was a product of the generalised adverse consequences of adjustment for the public and private sectors, the state and society, and most individuals and their communities.

CONCLUDING REMARKS

Looking beyond structural adjustment, it is clear that those interested in the perennial question of how to turn the table of underdevelopment in Africa will have to confront the debate, which has always been at the heart of political economy, on the relationship between the market and the state in the developmental process. The failure of structural adjustment to stem the tide of economic decline in Africa fifteen years after its introduction has compelled even its dogmatic adherents to admit that the state can play a positive role in the economy. In recent times, Bank officials have been concerning themselves with questions of how the state in Africa could be encouraged to play an effective role in creating an “enabling environment” for development. Others have made the case for the restoration of the “developmentalist” state in Africa either based on their reading of the East Asian model or based on what they consider are the demands of the present conjuncture in Africa (Sandbrook, 1990; Krugman,
1992; Mkandawire, 1995; Leftwich, 1995). The World Bank itself has joined this debate by raising questions about the replicability in Africa of the Asian “miracle”. At the same time, there is growing discomfort with the content and practice of conditionality both from an intellectual and policy perspective (Engberg-Pedersen et al., 1995).

It seems to us that the starting point for a meaningful redress of the problems created by the one-sided anti-statism of structural adjustment years is the serious overhauling of the content of the economic reform package itself. At the most general level, this will have to entail the jettisoning of the zero-sum market approach and the embrace of a model which recognises that the state and the market can and should complement each other. Similarly, it will involve moving beyond the tendency to juxtapose the public and the private, agriculture and industry, and the rural and the urban in a static, one-sided manner. Furthermore, deliberate steps will have to be taken to endow the policy framework with a long-term perspective which addresses issues of output enhancement, popular welfare, and equity among classes and regions. The market itself will need to be made accountable through effective, independent regulatory mechanisms/institutions. Within this broad framework, donor interest should not be to dictate policy paths but to support internally-generated reform packages where they feel able to do so. The instinct to impose, perfected by the Bank and the Fund, will have to be tempered, the more so as there can be no one universal path to economic reform that is valid at all times, for all places, in all situations. What this implies is that the tendency to want to enforce one uniform economic reform model on countries which are so different and which have different problems will need to be abandoned in favour of a more informed case-by-case approach that places the burden of problem identification and crisis management on local officials. Local opinion and capacity will have to be more fully acknowledged and trusted if the practice of international development co-operation is to be a partnership from which all those who are involved can learn as much as they teach.

It is one thing to recognise that the state has an important role to play in the economic development process. It is another thing however to be able to specify the kind of state that is called for. Here, there is no unanimity of views but it would seem to us that the experience of the entire post-colonial period, including that of the structural adjustment years suggests that a dynamic model of state interventionism would have to be developed. At one level, this model will set the threshold for the kinds of state intervention in economic processes which are called for in particular situations based on the capacities that exist locally. At another level, it should be flexible enough to prompt the state to leave economic activities for which local capacities exist or have emerged. Furthermore, the role of the state in technological development and in the opening of new investment frontiers should be more creatively related with existing local capacities. Also, the social role of the state, especially in the fields of education and healthcare will have to be enhanced even as incentives
are devised to encourage and expand community participation in the social sector. In all of this, a long-term perspective is absolutely indispensable as is an effective regulatory capacity which is aimed at upgrading standards and protecting the public interest, including the environment.

Creative state intervention in the economic and social processes should be accompanied by deliberate steps aimed at enhancing accountability to the populace by rulers. This is certainly one of the most crucial requirements of any successful effort at bringing back the developmental state into the dynamics of the African political economy. The tentative steps which some African states have taken towards political reforms, whether these be only at the level of multi-party elections, should be encouraged and extended. In addition to the promotion of political pluralism, attention will have to be focused on ways of subjecting governmental actions to public scrutiny and promoting popular participation in decision-making. The latter will involve the decentralisation of power and the separation, as opposed, to concentration of that power. For donors, the main challenge of this is that they will have to learn to live with the demands of the processes of democratisation and this will involve moving away from policy imposition from outside towards a willingness to accept and live with preferences emanating from Africa’s democratic structures even where these depart from their own preferred options. In this way, donors can make a useful contribution to the quest in Africa for developmental states that are democratic at heart.

Finally, the international environment within which African states and economies operate will need to be addressed as part of a wider strategy for improving global governance in general. Particularly relevant for Africa in this regard is the question of how the exercise of transnational power by multilateral institutions like the World Bank and the IMF can be made more accountable. The roughshod manner in which these agencies treated African governments coupled with their direct involvement in the economic and political affairs of most African countries took place in a context requiring them neither to be sensitive nor accountable. They accumulated and exercised power in Africa without a corresponding increase in their sense of responsibility for policy errors and socio-economic setbacks. Furthermore, in spite of the end of the East-West Cold War as we knew it, they remained important instruments in the foreign policy armoury of the Group of Seven countries that dominate their affairs. Clearly, if the Bretton Woods twins are to be effective in promoting development assistance, they would have to be reformed to become both more representative of their members and more accountable. “Good” governance demands nothing less than this.
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Chapter 4
Some Comments on Recent Developments in Donor Conditionality

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THE CONTEXT: IS THERE A CASE FOR CONTINUING AID?

Thirty years after independence, Africa remains dependent on foreign assistance. The continuing dependence on external support is unfortunate at a time when the prospects for development assistance are so negative. Even at a Nordic meeting, in 1995 it would be unrealistic to open a discussion of the aid relationship without re-visiting the case for continued support for an aid programme in Africa.

There has been a decline in the level of commitment of DAC members to aid, as measured by the proportion of GDP allocated to aid (falling from 0.35% in 1982/84 to 0.29% in 1993). A “peace dividend” from the end of the Cold War has not been declared, perhaps not surprising, if Cold War strategy provided one motivation for aid. There has also been a decline in the proportion of ODA directed toward LLDCs, from 31% of the total amount in 1981/82 to 25% in 1992. Nevertheless, in per capita terms, Africa continues to receive higher levels of aid than other regions. In 1993 Africa received 37% of aid supplied by DAC members, although having only 10% of the world’s population.

The decline in aid commitment has been associated with an increasing scepticism about the effectiveness of aid programmes. A cynic might suppose that one important source of donor fatigue is the tight domestic budgetary constraint, which makes any rationalization of aid cuts so useful. However, there is convincing evidence, supported by many critical aid evaluation studies, that aid to Africa has not been very productive.

During the 1980s, when ODA to Sub-Saharan Africa rose to levels of more than a tenth of GDP, growth performance was poor for nearly all African economies, irrespective of the policy regimes adopted, with long periods of declining or stagnating per capita incomes despite the substantial aid flows. Indeed,
given the fact that for much of the period covered by recent aid evaluations, per capita incomes declined in most aided economies, it hardly requires sophisticated econometric analysis to demonstrate that aid has had low productivity. The bleak conclusion has to be that aid has not delivered what was expected, either on the donor or recipient side.

The picture is particularly discouraging for aid, when it is noted that many African economies did much better in the first post-independence decade, when aid flows were modest, than in the subsequent period when aid flows built up. Of course, this does not prove that aid caused the poor performance; indeed it is logically possible that aid could have been productive in the sense that performance would have been worse in the absence of support, but such an argument does not provide a very convincing public case for supporting aid.

The reasonable rates of growth achieved by many African economies in the 1960s and early 1970s indicate that there is nothing inevitable about the stagnation of recent years. Moreover, the economic and social resilience of communities at the local level, in the face of deep national and macroeconomic crisis, indicates an underlying economic potential. Despite the failure of past aid programmes, a case can be made that in recent years the productivity of aid has increased. While a number of countries continue in deep political and social turmoil, a more optimistic view can be taken of a group of reforming economies, which have implemented structural adjustment over some years and already have achieved modest recoveries. The dramatic and satisfying move to majority rule in South Africa has also opened up enhanced prospects for peace and progress for the whole southern Africa region. Moreover, countries such as Uganda, Ghana and Mozambique have revived from conditions of severe economic and social decline.

Many structural adjustment policies are no longer matters of great contention; there is a much greater realism among African governments and donors about the policy requirements for economic development than in the 1960s and 1970s and a number of economies seem on the path of economic recovery. While it would be premature to herald African “success” stories (and counter-productive, as public relations celebrations of models of successful economic performance in Africa have so often enjoyed rather temporary stardom), it does seem that for a number of countries an awkward economic corner has been turned.

Donors played a pivotal role in promoting economic reform and external support provided critical help both in limiting the effects of crisis and ameliorating the costs of economic reform, and a number of African governments have carried economic reforms much further than appeared possible at the beginning of the structural adjustment process. The combination of some positive political developments with the economic liberalization policies already in place should have engendered a sense of achievement both within the region and among donors. Instead there seems to be widespread disillusion in Africa with the political process and uncertainty about the economic future, while in the donor
community a certain sourness seems to have taken hold, characterized by irritability with the performance of African partners and a steady extension of the range of policy conditionality. And yet, arguably, aid has been more productive in recent years than when it received much more unequivocal support.

Having sold market development to Africa, it might be felt that donors have some responsibility to stay the course. And continuing donor support could reap increasing returns, as the full benefits of recent reforms are reaped. In particular, the build-up of indigenous business capacity in response to market opportunities may require an extended gestation period, but if it happens it may have a higher development payoff than the past record suggests. However, continued commitment is threatened by “donor fatigue”, which reflects widespread exasperation among the donor community with Africa.

One source of past policy mistakes, by donors and national governments, was unrealistic expectations about the speed with which development could be achieved. Unrealistic assumptions motivated aid programmes in the 1970s, and there may be equally unrealistic expectations about the results from current reforms, including a rather superficial view of the speed with which new political and economic institutions can be put on an operational footing. Promoting the model of the Asian Tigers, while useful in leading to an exploration of policy options, may be misleading in suggesting that what is, in historical terms, a most unusual experience, should be treated as a norm. A clear lesson of the past three decades is that, starting from the initial conditions facing African countries, economic breakthrough requires sustained and gradual progress over a generation.

Whether recovery will extend into a period of sustained growth, with unequivocal increases in per capita income is, of course, not certain. The hope held out to Africans by the donor community is that a commitment to market-led growth is the most likely path to development, but even if eventually successful, the time period involved for such capitalist development to take hold is a matter for speculation. It may be supposed that a single-minded commitment to a market-led growth strategy over a generation might be required.

While frustrations, both within Africa and among donors are an understandable response to the low yields from the reform process so far, a start has been made in reversing deteriorating trends. Conventional wisdom regarding regional economic performance is often superficial and can change quite rapidly—it should be remembered that in the 1960s Asia was perceived as being more the home of economic basket-cases than of tigers.

THE CHANGING CONTENT OF THE DONOR AGENDA

During the 1980s there was a marked shift in aid instrumentalities, both bilateral and multilateral, from project support to balance of payments and programme support, which has had important implications for the donor-recipient relationship. As macroeconomic conditions have been met, conditionality has
moved on to much more diverse issues, including institutional reforms (e.g. privatization and civil service reform) and monitoring government performance in any area related to achievement of programme goals. As programme objectives became broader and less quantifiable, they became both more inclusive and more vague.

Aid issues are made more complex by the context of political change which has moved many African states in the direction of more open and contested political systems. Issues of governance, human rights and democracy have been receiving greater public attention in many African countries, as well appearing more explicitly on donor agendas. It is understandable that donors wish to actively promote this process of political reform.

As a result, donors now concern themselves both with the economic policies which should be the outcome of the domestic political process, making strong demands about required policies in relation to an extended range of issues, and at the same time bringing pressures to bear to influence the nature of that political process. Additionally, aid policies are increasingly subject to pressures arising from the single issue politics which has become characteristic of advanced capitalist economies.

It is the thesis of this paper that by taking on a more interventionist stance on issues of political practice, donors are extending their influence into areas which involve difficult issues of principle and competence, which need to be more explicitly discussed.

The need for realism in promoting political reforms might be suggested by the international failures in Rwanda and Somalia, the disintegration in Liberia and Sierra Leone, the shaky movement towards peace in Angola, the political stalemate in Zaire and continuing military rule in Nigeria, all of which feed a widespread international perception of hopelessness with regard to the prospects for Africa, but do not seem to affect judgements about what it is realistic to expect of more stable regimes.

Expectations about the speed and the irreversibility of the reform of political institutions might also be tempered by comparative and historical insights into the time-scale and conditions which were required for the development of stable democracies.

THE BURDEN OF HIGH-MINDEDNESS

As this is a Nordic sponsored meeting, it might be appropriate to speculate on the specific characteristics of Nordic donors, as compared say to the multilateral financial institutions, which are more typically subject to critical examination.

Keith Griffin, who has been one of the most persistent sceptics regarding the effectiveness of international aid, has argued that among the reasons for the poor performance is that donors have been most strongly motivated by considerations other than the promotion of development. During the Cold War, some donors (most notably the US) were greatly concerned with strategic...
objectives, and for those reasons were willing to support regimes which were implausible vehicles for development. However, in the case of such “high-minded” countries as the Nordic group, and the Netherlands, the failure of aid has occurred despite the generally well-meaning motivation of the aid programmes. Indeed, when performance of countries which have been the main focus for high-minded support is compared with that of East Asian countries, which received large scale aid for strategic reasons, it may be necessary to explore the possibility that failures of aid may also derive in part from the humanitarian motivations that motivate Nordic aid.

It is not easy to mount a critique of high-mindedness, as it involves criticizing attitudes which are in principle admirable. However, it might be useful for this discussion to subject high-minded approaches to aid to some “hard-nosed” questioning. In doing this, it might be useful to distinguish two periods: that of “soft-conditionality” (which, for the high-minded group, extended into the early years of Structural Adjustment, at the beginning of the 1980s) and the more recent practice of “programme conditionality”.

**Soft Conditionality**

There are two “hard-nosed” lines of criticism of high-minded soft conditionality, at the project and programme levels.

At the project level, there was often a failure to appraise aided activities with enough thoroughness, either because of a wish not to impinge on recipient sovereignty, or because of an idealistic commitment to certain approaches to development, or because of the wish for quick achievement of desirable social goals.

The commitment to cooperatives, for example, led to persistent support for activities which underpinned ineffective marketing systems well beyond the point at which the weaknesses in the approach should have been evident, to the detriment of farmers and the national economy. In supporting the development of “folk high schools” throughout Tanzania, Sweden was promoting an innovation which was, no doubt, admirable in itself but of doubtful priority in a country in which existing educational institutions were faced with endemic financial crisis. The commitment by a number of high-minded donors to massive programmes of rural water development represented a too hasty attempt to meet an otherwise desirable goal.

High-mindedness may also lead donors to incorrectly conclude that because an objective is socially desirable, they must have a comparative advantage in providing the means of its achievement. One result is the provision of “expert advisers” who, at best, pass their time learning the local realities from “non-expert” local practitioners.

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2The term “high-minded” is chosen as more appropriate than the more usual term (like-minded), which is totally lacking in content.
Added to these problems, even the high-minded develop interests, particularly in the case of those who “came to do good, but did well”, to which neither NGOs nor not-for-profit organisations are immune.

The hard-nosed critique of high-mindedness has emerged particularly sharply in relation to the more macroeconomic costs of the tardiness with which the high-minded countries were unwilling to close ranks with the multilaterals in support of tough structural adjustment programmes, thereby delaying the adoption of required reforms (and by so doing possibly increasing the severity of adjustment measures when eventually implemented).

The case that the Nordic donors should have provided much more unequivocal support to the multilateral pressures for reform in the early stages (e.g. in Tanzania in the early 1980s) is questionable. It is partly based on the political assessment that governments would have adjusted earlier and more surely if forced to do so by the united pressure of the donor community. The possibility also existed that more complete aid withdrawal and united donor pressure might have generated more savage economic conditions, and a perverse political reaction by a government with its back to the wall.

The “hard-nosed” criticisms can be countered by the argument that it was appropriate for the high-minded donors to have offered recipient governments room for manoeuvre, rather than joining a donor cartel and that it is better for governments to move to new policy positions through their own evaluation of economic realities and through a persuasive dialogue, rather than under external instruction.

Programme Conditionality

In recent years, high-minded donors might appear less vulnerable to the hard-nosed critique, as they have increasingly thrown their weight behind the macroeconomic conditionalities of the Bretton Woods agencies. At the same time they have taken a more activist stance in promoting a number of other goals, in addition to macroeconomic orthodoxy.

Bilateral aid always has a significant element of political conditionality, in the broad sense that concentration on particular countries reflects to some degree the political acceptability of the regimes supported (and even more clearly, the unacceptable nature of regimes excluded from programmes). What is new is that in Africa a more specific political conditionality has been practised increasingly since 1990, supporting the promotion of democratic practices, good “governance”, and participatory development, and the high-minded donors have been taking a lead in this regard. As donors have ventured into programme lending, and associated conditionalities, the appropriate choice of conditions has been less clear, and there now seem no boundaries to the range of concerns articulated by donors in, for example, consultative group meetings.

Such donor activism has the potential virtue of encompassing the institutional dimensions of development, addressing matters as relevant to good eco-
nomic performance as macroeconomic policy. Even a highly market orientated economy requires effective government interventions, so that concern for issues of public sector capacity is consistent with the market orientated thrust of structural adjustment and orderly and legitimate legal and political institutions are important supportive elements in market reform. Moreover, the public in many African countries share with many donors a concern for a more open and accountable political process, involving a shift to multi-party politics. At the same time, donor agencies have to justify their programmes to their own constituencies not only by ensuring adequate performance and safeguarding against abuses, but also by responding to specific concerns, which are often articulated by single-issue politics and lobbies (e.g. environmentalists, civil liberties, women’s and children’s rights).

The growth of the new moral activism in the donor community coincided with the end of the Cold War, although it is not clear that there was a connection. Possibly it was more difficult to be politically discriminating in the Cold War period, in which any anti-communist regime had to be presented as a defender of democracy and freedom. Possibly also the triumphalism of post-Soviet collapse has reinforced the moral certainties of the West.

Certainly, the use of development aid as a vehicle for moral activism is understandable. The moral basis for support for development assistance is the belief in the universality of the human right to minimal levels of well-being. It is not therefore surprising if some of the most committed supporters of development assistance should at the same time be supporters of the universality of other rights, including democratic freedoms, sexual equality, etc., and see the promotion of those rights through development assistance as being both legitimate and consistent, providing the impetus both for new conditionalities and the introduction of broader environmental and social goals into project design and selection. Moreover, to those who point out that the promotion of these causes through development assistance involves an abridgement of sovereignty of African states, two powerful counter-arguments can be offered.

Those promoting liberal interventionism can quite legitimately argue that in the reality of international power relationships, their efforts offer but a small counterbalance to the other powerful influences at work (e.g. transnational corporations). And where such advocacy may be a source of great irritation to recipient governments, many of their citizens welcome the support lent to democratic and other good causes.

Nevertheless, a number of difficult issues about the implications of activist donor stance should be addressed. One contradictory practical result of extended donor conditionalities for example, is that governments which have received stern lectures about the limits of State interventionism and the need to simplify their involvement in the economy are then instructed from the same source to incorporate quite elaborate new forms of social engineering and selective interventions, to ameliorate the negative social impact of structural adjustment policies, to defend the environment, to equalize sexual economic opportunities etc.
Powerful donor influences are brought to bear in support of policy mixes which are not very consistent (e.g. the government should be leaner and less interventionist, but should be involved in fine tuning of policies to which donor constituencies are sensitive).

The criticism that has been made of African governments that in the past they over-extended themselves, and took on board more than could handle is probably sound. This suggests that growth is more likely to be successful if a narrow range of goals is pursued in a single-minded fashion. This might be taken to imply that, at least for some years, governments might do best to concentrate their efforts on achieving macroeconomic stabilization and a revival of economic growth.

The fact that economic growth does not necessarily lead to development is by now conventional thinking, reinforced each year by the able advocacy of the UNDP Human Development Report, which urges a number of admirable objectives which should be added to the policy agenda, alongside output growth. However, it is also clear from recent Africa experience that output stagnation leads to erosion of social gains across the board, and particularly for the poor—income growth may not trickle down, but income decline surely does. The reversal of the economic decline of the past two decades is the necessary precondition for much else. It will not be easy to achieve and is more likely to be achieved if governments concentrate for a period on its achievement, to the exclusion of much else. And yet donors, having clubbed together to support structural adjustment, often do not seem to like the logic of the course of action they have promoted.

In judging the efficacy of donor reform advocacy, consideration not only needs to be given to the worthiness of a given objective, but the costs involved in overloading the policy agenda. Having told African governments they should stop trying to do many of the things they wanted to do, instructions go out that they should now take on an expanded donor agenda. In promotion of the Asian success stories, one aspect of that success which has received little attention is the ready capacity of the East Asian regimes to see off Western liberal criticism, to concentrate on the task of overtaking the western economies.

There is a tension between the instinct of international solidarity, which leads to the universal promotion of good causes, on the one hand, and the support for national sovereignty and non-interventionism as a basic anti-imperial tenet on the other. It should not be surprising if moral activism sometimes bears a whiff of the White-man’s burden, an integral feature of an earlier colonialism. The issue raised here is not so much the neo-conservative critique of political correctness, but rather that of “whose political correctness”.

For the high-minded donors, the increasing political interventionism through aid programmes reflects a significant shift from the stance of the immediate post-colonial period, when there was a high degree of sensitivity to the need not to infringe the sovereignty of the newly independent states. This shift is not trivial, and the consequences for both sides should be examined with
some care, both in relation to concerns of principle in the relations between States and very pragmatic issues regarding the efficacy of development policy.

Under Structural Adjustment, as aid modalities shifted towards various forms of programme support, the accompanying macroeconomic conditionalities became a matter of some controversy. Nevertheless, the virtue of this “IMF” type conditionality is that it relates to quite clearly defined, often numerically targetable, economic policy variables (e.g. foreign exchange and interest rates, budgetary performance). There has been, of course, an ongoing debate about the economic effectiveness and the distributional consequences of SAPs, but at least conditions were clearly defined on an ex ante basis.

New types of conditionality lack the clarity of the IMF approach. Donors are steadily shifting their ground, pushing conditionality beyond the areas of narrowly defined economic policy, in relation to which conditionality was at least based on a clearly defined if not uncontroversial professional view, into much more treacherous areas related to institutional arrangements and political priorities, in a manner which does not exhibit a very high degree of consistency.

It might be thought that having espoused the formula of free market economics and democratic politics, the logically consistent position for donors should be to limit conditionality to maintenance of pro-market policies and democratic practice. Instead, there seems to be an eagerness to promote new forms of intervention reflecting externally defined political priorities.

This ground is more treacherous, partly for quite practical reasons, in that criteria of performance are more difficult to specify, but more importantly because much more complex issues of relevance and of political sovereignty are at stake.

Questions can be posed at a number of levels, including the relevance of the ideals being promoted, the internal consistency of the different objectives being espoused and the efficacy of reform mongering through the agency of aid programmes.

IS THE CASE FOR UNIVERSAL DEMOCRACY ESTABLISHED?

A fundamental axiom which seems to be gaining currency among donors is that democracy should be universally promoted and that conforming to democratic practice should be increasingly asserted as a criteria in aid allocation. Democracy is seen both as an end in itself and as a means of promoting better government. A possible corollary, that where a democratic process is established, the choice of priorities emerging from the process should be accepted by donors, receives less support.

Even if democracy is seen as a system with fundamental and universal virtues, given the strictly limited extent, both historically and geographically, to which it has been the system of government practised by nations, it cannot be taken as self-evident that it is a universally viable political system, or always consistent with the achievement of other goals (e.g. economic growth; ethnic
peace; economic equality; religious tolerance). Indeed, historical evidence suggests that its achievement is rather unusual, and some earlier international efforts to promote it as the universal system (most notably, Woodrow Wilson at Versailles) were to a startling degree counter-productive. A belief that a particular set of political and social ideals which have gained ascendancy in late 20th century Europe are of universal relevance in terms of both time and place is not only ahistorical and possibly arrogant but may also be counter-productive in achieving sustainable political reform.

There is, of course, something distasteful about the moral relativism of arguments implying that different standards of political and social behaviour should be applied to poor countries than those seen relevant in wealthier nations. It is, for example, only too easy for regimes without any redeeming merit to defend their squalid performance with the argument that local conditions justify their rotten behaviour. Despite that, the issue of the relevance of political systems and ideals of behaviour cannot be avoided. The view that the pursuit of economic growth and certain kinds of political behaviour are axiomatically consistent is sloppy thinking, of the sort which in the triumphalism following the collapse of the Soviet system has equated democracy and capitalism.

There is, unfortunately, no evidence that democracy is a necessary condition for economic development; the converse has more intellectual credibility, in that although democratic institutions have survived in some poor countries, by and large countries which are identified as solidly democratic developed their democratic practice at comparatively high income levels, and the contemporary international correlation between levels of per capita income and democratic institutions probably reflects a causation from the former to the latter.

In an earlier age, Europeans promoted with equal enthusiasm their religious beliefs in Africa; there is a slightly more credible historical case (although in the end not convincing) that Western religious practice may be more conducive to capitalist economic development than the case for the economic efficacy of Western political institutions, although nowadays the overt use of aid to proselytize Christianity would receive little support.

Even if democracy is accepted as a goal, on which all societies will hopefully converge, possible contradictions in promoting the achievement of that goal must be considered. A difficult aspect of consistency can be posed as follows. If democracy is accepted as a goal, but if it is inconsistent in a particular setting with the achievement of economic growth, and if on the other hand higher levels of income are likely to create the conditions necessary for democracy, then the awkward possibility must be faced that the inappropriate promotion of democratic practice might actually delay the conditions needed to make democracy viable.

Although the issue of the viability of democracy needs to be confronted, it must nevertheless be recognised that the African crisis has been a crisis both of the political and the economic systems—systems of little democratic merit
could not be defended on economic grounds, because the economic performance was so dismal. The widespread popular support for political liberalization in Africa in the first instance involves a commitment to basic freedoms for their own sake, in response to the negative experiences under unreformed regimes. But the widespread popular support for democratization is reinforced by the hope that political reform will lead to improved economic benefits. However, the simultaneous pursuit of economic and political reforms may not be easy. While democracy provides citizens with the means of “throwing out the rascals” when they do not deliver, newcomers to government may be faced with quite unrealistic expectations, and with little experience to draw on to deliver better economic results. Financial orthodoxy may not lie well with the requirements of genuine electoral politics. Difficult economic straits may leave too little room for manoeuvre for politicians to deliver the benefits expected of political reform.

Ultimately, the successful growth of effective political institutions is likely to be a slow organic process, responding to the local environment. There is little evidence that donor officials are well equipped to understand that process, and therefore to intervene in ways which are more likely to nurture than stunt the growth of fledgling institutions. (The number of NGOs which are emerging in response to the new market created by donors suggests some of the risks.)

Effective economic management under greater democracy will require the development of new institutions which can generate a core of informed opinion and promote a broader popular understanding of the requirements of effective economic policy. Better informed media and autonomous centres capable of generating serious national dialogues regarding economic and social policy options would help this process. More informed public opinion and articulation of the real longer-term interests of key social groups could influence politicians to take a longer and more responsible view in competing for political support. But in the meantime populist politics may generate a political fiscal cycle, with overspending in the run-up to elections setting back economic stabilization efforts is hardly surprising.

There is a legitimate concern, shared by donors and African citizens, that government should be reasonably effective and aid should be used for its proper purposes and not illicitly diverted, and in some instances that may be achieved through the emergence of political institutions through which governments face greater popular pressures to perform. However, this may not be achievable through the application of a simple universal formula, “multipartyism”. Nor is it even clear what changes in political behaviour are most necessary for improved economic and social performance (e.g. obviously corruption can undermine effective decision-making and demoralize a society, and yet in many of the East Asian success stories, corruption is a well-established institution).

Democratic processes at their best can result in policies which respond to the real interests of the mass of the population. However, political liberalization in
most countries has yet to produce a realistic economic debate. The profound economic policy changes which have been implemented in a number of countries have not been supported by a new and coherent vision of the economic and social future, perhaps a cost of the process whereby so many policy reforms have emerged from dialogue with donors, rather than from internal political debate, leaving the national “ownership” of the new policy regimes uncertain. There is a contradiction between the donors’ wish to promote democracy, and the desire the ensure that the “correct” economic policies emerge from the political process.

ON THE ACCOUNTABILITY OF GOVERNMENTS—DONOR AS WELL AS RECIPIENT

In recent years, the aid dialogue has been replete with appeals for greater accountability and transparency, as necessary conditions for improved performance by recipient governments. Such rhetoric makes a valid general point. However, the discussion needs to be pursued further, in two directions. One issue is the impact of aid dependency, with accompanying intrusive conditionality on the accountability of recipient institutions within their own societies. A second set of issues relates to the accountability and transparency of donor agencies themselves.

The need for improved governance is self-evident (and has become a cliché of the development discourse); policy should be subjected to public scrutiny and officials held accountable for results. But accountability and transparency is more likely to be a characteristic of a confident and effective public service, and is unlikely to emerge from a process in which the official is subservient to paternalistic donor officials. And it is difficult to see how political leaders can be held accountable to their own citizens for policies framed elsewhere. Indeed, donor conditions can easily become the scape-goat for policy failure.

Donors have created for themselves a contradictory position. On the one hand, criteria of transparency and accountability feature prominently in the donor vocabulary, while on the other hand, increasingly broad areas of government decision-making are appropriated to the murky arena of donor/recipient dialogue and conditionality. This can mean that government officials see themselves increasingly as mainly accountable to donor agencies. Even opposition groups defer to donors, expecting them to provide the muscle to pressure governments. These developments are, perhaps, an unavoidable result of the shift to programme support: programme support extends the potential areas of conditionality to broad areas of policy. One way to limit broad conditionality would be to re-focus support towards projects.

Official performance may be improved through economic policies which reduce the scope for rent-seeking behaviour, as economic controls provided rent-seeking opportunities. But economic reform itself gives rise to new forms of rent-generation, as private interests jockey for favoured access to public re-
sources. In practice, the move to less controlled economic regimes has been sometimes associated with heightened corruption, as new private sector actors seek to suborn state officials for favours and government officials have seized the opportunity to participate in new opportunities to accumulate wealth.

The institutions of a mixed economy, which favours entrepreneurial behaviour but which also provides a “level playing field” for competition among firms, and insulate government decisions from illicit private sector inducements, are characteristic of a late stage of capitalist development. In principle, relationships between government and the business world should be such as to discourage rent-seeking, corruption and predatory behaviour, but in the early stages of the development of the capitalism, the system being promoted by donors, the state was often milked to provide the means of private capital accumulation.

Improving capacity to govern requires a long-term commitment to tackle such difficult issues as corruption in the public service, the creation of a more effective system of rewards and sanctions to improve public service performance, and a steady effort to improve the recruitment and training of public servants. The immediate achievements are likely to be modest.

Frustrations are increased by inconsistencies in the approach to improving the limited capacity of government. The big donor message in the structural adjustment period has been that governments had over-extended themselves, and that they had attempted to control far too much of the economy given their limited implementation capacity. Yet donors add new objectives to the policy agenda, some of which could only be achieved by sophisticated management and subtle interventions. Thus governments, which were assumed to have little capacity for intervention in the economy, are urged to fine-tune programmes to target those affected by structural adjustment, or pinpoint selective support to mitigate the regressive impact of cost recovery in the social services.

The accountability critique could also be addressed to the staff of donor agencies themselves, who are rarely held accountable for the performance of projects or programmes, or their role in imposing policy conditions. They do not even have to experience the consequences of economic failure in the same way as a national official. In recent years, many agencies have made a serious effort to increase transparency, by commissioning frank and professional evaluations of programmes, but these stop short of bringing anyone to account for mistakes, and there is little evidence that bureaucratic careers are affected by the success or failure of aid. And some of the most important influences which donors bring to bear are not at all transparent, as they necessarily occur in a confidential setting.

Many of the past failures of aid have been ascribed to weaknesses in the national policy environment, particularly failures in macroeconomic policy and inefficient government controls during the pre-Structural Adjustment period. However, it should also be noted that if that thesis is correct, such failures also provide evidence of donor incompetence in continuing to fund activities when
the policy environment ensured failure. Indeed, it is striking that in the case of Tanzania, donor enthusiasm was greatest in that period (the decade from the mid-1970s), which is nowadays identified as the period of most dramatic policy failure. The conclusion drawn by donors, faced with the evidence of their own incompetence, seems to be that their degree of control over activities should be extended.

If the narrowly economic and technical quality of performance by aid agencies in the past has been flawed, it seems even less likely that political interventions will be competent. Donor officials are typically not very well informed either about the political history or the contemporary political forces at play. Head office staff are more likely to respond to the political and bureaucratic milieu at home (or in the case of the Bretton Woods institutions in the Washington milieu), and field office staff often seem to be unduly influenced by the gossip in the expatriate club (e.g. in the case of Dar es Salaam, the Yacht Club). The aid relationship gives great influence to bureaucrats who are neither subject to market pressures nor accountable to relevant political pressures in the recipient countries. Also, modern aid administrators are much less likely to have had the sort of experience of government in developing countries which might provide a good basis for sensible advice on issues of government than was the case twenty years ago, when colonial re-treads were still in good supply in such institutions as the World Bank. Even if it were politically acceptable, there is no evidence that a new form of “indirect rule” through aid would be an effective development model.

Excessive conditionality reflects a crisis of confidence. But increasing donor interference may not be the solution to the collapse in donor confidence in African governments; as donors appropriate key decision-making functions, officials of recipient governments can quite legitimately feel that they are not accountable for the results.

It would be healthy if a greater element of trust could be restored to aid relations, with fewer conditionalities, which should focus on principles, with assessment based on ex-post evaluation of the major economic results. Aid allocation should certainly place a premium on efficiency, and should be subject to careful monitoring to provide the information on which to reward good performance, but should move away from attempts to control policy through conditionalities.

However, donors must be concerned about the use of their funds, particularly when inefficiency or corruption leads to the waste or misappropriation of their funds. Moreover, many of the political concerns of donors are concerns very much shared by the people of the recipient countries, who suffer when the system is ineffective or corrupt. One basic question therefore is whether the legitimate concerns of donors can be translated into more efficacious donor interventions, which do not themselves erode national capacity. The time should be ripe for fundamental rethinking.
THE NEED FOR “INTERMEDIATE” STANDARDS OF PERFORMANCE IN BROADENED CONDITIONALITY?

Policy-making is rarely simply a matter of implementing moral imperatives or pursuing one over-riding goal; typically there is a difficult trade-off to be made between pursuing differing desirable goals, in the light of a realistic assessment of constraints. What is the best trade-off depends on time and place, and it is the politicians’ function to seek out the appropriate balance, depending on the particular circumstance. This was well understood by the Prime Minister of Norway, who soon after supervising an international sermon on the virtues of conservation, in her political role as Prime Minister led a government which continued whale hunting in the face of international censure—that was not hypocrisy, but merely realistic policy-making.

It is not the task of single issue campaigners to assess trade-offs; their task is to assert the priority of their concerns, no more than that it is a matter for a particular economic interest group to consider the common good. Politicians must weigh those concerns, and interest group pressures, against those of other constituencies. When donor agencies make choices, the political process they are responding to is domestic—they are under no compulsion to respond to political pressures and preferences in the recipient country. The priorities emerging from the donor political process are likely to differ from those that might emerge from the politics of a poor country. This must be so, because even if goals were shared the trade-offs are different and the specific consequences of a given policy can be dramatically different given the economic or social circumstances. In general, the rich should place a lower value on increasing income than the poor.

In a rich country, it may make excellent sense to accept higher energy costs for the sake of a better environment. For a poor country, the costs and returns may be very different. This is not to say that environmental costs should be ignored, or that the interests of weaker groups should be sacrificed in the pursuit of economic growth, but simply to state that trade-offs differ; it is worrying that environmentalist pressures have made it increasingly difficult to fund large-scale hydroelectric projects, in countries where the costs of not increasing the renewable energy supply are so high.

Three decades ago, Schumacher successfully launched his attack on inappropriate technology, arguing that the effort to introduce the most up-to-date technology into developing countries was misguided, out of which the “appropriate technology” approach developed. The argument was never that existing technologies should be maintained, but that a viable transition to improved technology was not through a simple jump to “state of the art” Western technology, but might involve the use of more appropriate intermediate techniques.

If donors are to be increasingly involved in political and social issues it may be equally important for them to consider the appropriateness of the appro-
aches being promoted. There needs to be a much more explicit and self-aware discussion of the appropriateness of standards, values and institutions being promoted by aid to the conditions in recipient countries, including explicit treatment of the differing costs, risks and trade-offs of policies advocated.

A donor political agenda must seek to find common ground between what is expected by the donor public and what can be realistically and usefully demanded in the current political contexts of African countries. Possibly, what should be agreed is at least certain realistic minimum standards of political and administrative behaviour, which might be incorporated in an explicit set of principles to be discussed and accepted by both sides. These could include:

a) the recognition that the exercise of fundamental civil rights (freedom of thought and expression) and total rejection of any actions resulting in the brutalization of populations are principles common to both donors and African societies, and that serious violations in that regard should result in suspension of aid;

b) that corrupt practices undermine the effectiveness of aid and increase the costs of aided projects, and that evidence of corruption should give rise to corrective measures (including prosecution), both in the recipient country and in relation to any interests on the donor side involved in such practices; and

c) that the development of an orderly, predictable and fairly administered system of laws would enhance development prospects, and that therefore the achievement of such practices is a legitimate concern of donors.

Beyond such basic principles, the politics of African countries should be a sovereign concern, and should not involve interference by outside parties. In relation to day to day politics there should be a principle of “donor non-interference”, which should relate to specific attempts to affect the course of politics, to favour particular candidates or political groups. In relation to electoral practice and the nature of the political system, apart from a commitment to the defence of individual liberties, the evolution of the institutions should be a domestic matter. What might work in Tanzania may be very different from what may work in Uganda, and ultimately robust political institutions are best homegrown. However, it would be naive not to accept that all donor programmes have an inevitable, implicit political content, as the definition of objectives which motivate donor programmes will reflect the political agenda and interests of the donor countries.

LOOKING GIFT HORSES IN THE MOUTH

From the African perspective, while aid has not achieved the desired results in terms of growth, it has incurred considerable costs. In the case of multilateral transfers, a considerable debt has been incurred by recipients, and even in the case of bilateral grants significant costs are often incurred, in funding local costs
and diverting resources to cover recurrent project requirements. Given the fact that all aid involves costs (if only in diversion of the energies and attentions of the national authorities), it is reasonable to question whether it would have been desirable to be much more selective in accepting aid offers. Not only does the record suggest that aid is not likely to be the main vehicle for development, but there is even a *prima facie* case that in some countries incomes might now be higher if there had been a more selective approach to aid, resulting in lower levels but higher average quality of aid.

The sustainability of the recovery in those economies which have had some success with structural adjustment is put at question by the excessive dependence on external resource flows, with resource gaps in excess of plausible external financing levels in the long term. External contributions to the budgets of a number of reforming economies remain high, in spite of significant gains in revenue collection in some countries, and cuts in real expenditure.

On the side of African governments, the current predicament should provide the occasion for deep thought about aid dependence. While it made sense for donors and African governments alike to emphasize programme support during the crisis of the 1980s, the drift into continuing dependence on donor support even for recurrent budgets has carried a heavy cost in loss of autonomy and erosion in initiative; a long way has been travelled from the days of “self reliance”. Given that donor evaluations indicate that much aid has been unproductive, it might be that a high price has been paid for little reward.

The excessive dependence on aid for development spending essentially places strong influence over investment priorities and design in the hands of donor bureaucrats, who are necessarily only poorly informed about local conditions (and often, the more ignorant, the more arrogant).

Aid dependence has also involved continued reliance on expensive, but typically ineffective technical assistance. Weaknesses in technical assistance modalities have been spotlighted by internal evaluations by the World Bank and a number of UNDP sponsored studies, as well as bilateral agency evaluations. A frequently cited UNDP study concluded that the cost of technical assistance for Tanzania in 1988 amounted to around $300 million, of which $200 million went to salaries, while the total cost of the Tanzanian civil service was about $100 million.

Technical assistance has, of course, produced some operational results, but it has contributed too little to the transfer of knowledge and skills development. The system has led to over-reliance on donors, and in some instances diminished the accountability of authorities. Donor studies have suggested that the costs of technical assistance are extraordinarily high, the competence of personnel often not commensurate with salaries paid, and vast discrepancies in salary levels between expatriates and local personnel with similar qualifications are not conducive to a cooperative working environment.

The donor response to the need to boost capacity and shift resources from expensive foreign experts to more direct support of local staff has had its own
dangers. The creation of autonomous project management units to address weaknesses in implementation capacity undermines the development of coherent and integrated management systems and weakens overall incentive systems. New gaps open up between those local staff lucky enough to be taken on to a donor-funded payroll, and colleagues who remain dependent on government funding. And donors tend to favour funding those posts and activities responding to the latest trends in donor thinking, avoiding support for core activities fundamental to institutional performance (e.g. it is easier to fund research on fashionable topics than support for the core undergraduate education which will lay the foundation for future national research capacity).

Reform in technical cooperation modalities can play a part in more effective capacity building. At the very least, continuing efforts are needed to ensure that donor interventions do not distort incentive structures and displace local capacity. However, the key responsibility for capacity building lies with national governments, to fashion national institutions and policies to make better use of available qualified nationals.

External assistance cannot be an effective substitute for national effort if development is to be sustained. External assistance should be used to ease critical bottlenecks, rather than being seen as the centrepiece of the development effort. Aid will only be effective if it supports an internal development dynamic.

It is unlikely that substantial increases in aid flows to Africa will be achievable in the coming five years. From the point of view of African governments, it would be unwise to see the mobilization of more external assistance as an important element in their own development strategies. It would be more realistic to concentrate on improving the effectiveness of aid. Aid effectiveness, in terms of delivery, utilization, and ultimate impact, is as important as the magnitude of assistance.

For the coming period, critical objectives for African governments should include the promotion of higher rates of domestic savings, a reduction of capital flight, and much higher levels of private investment. And they should take seriously the need to enhance the returns from the aid they receive by developing their own conditionality: namely that aid is only accepted when it meets national priorities, is likely to be productive, and does not displace the domestic effort.
Chapter 5
Practical Effects of Economic and Political Conditionality in the Recipient Administration

Caleb M. Fundanga

INTRODUCTION

John Toye has noted that the adoption of Structural Adjustment Programmes in the late 1970s marked the final rejection of the structuralist school of thought which had previously argued that because Third World economies were different from those of the industrialized countries, commonly accepted economic principles could not be applied in these countries. Under the new orthodoxy all countries are expected to respond to common economic principles. Where they do not this may be attributed to some obstacles which can be removed.

Toye and Deng have both noted that Structural Adjustment Programmes of the 1980s consisted of two elements:

(i) Stabilisation programme—aimed at bringing foreign sector payments into balance. The main thrust of policies under this phase comprised government budget deficit reduction, exchange rate liberalisation and reduction of inflation. Stabilisation was seen as the critical issue that had to be tackled first in order to create an environment conducive to growth;

(ii) Adjustment proper or sectoral adjustment—under this phase numerous policy adjustments were undertaken in order to correct distortions inherent in the economy, these included market liberalisation, public sector reform, financial sector reform, mining sector reform, etc.

The International Monetary Fund together with the World Bank are seen as the major purveyors of Structural Adjustment Programmes. These programmes essentially tie aid to policy reform. Quick disbursement adjustment credits which

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2 Toye, J., ibid.
sub-Saharan countries so badly need can only be accessed if a country has committed itself to undertaking certain policy reforms. Given the premier role assigned to these Bretton Woods institutions, the rest of the donor community takes the conditionality environment agreed with the two institutions as the one within which their aid will be given as well.

Deng\textsuperscript{4} has noted that the concern with purely economic issues started to change and in more recent times issues of governance and able political leadership have been added to the list of issues seen as crucial to the development process. This point was driven home by the President of the World Bank when he addressed the 27th Session of the OAU\textsuperscript{5}...

... do not underestimate the external difficulties. Low commodity prices, high levels of debt, unfair trading practices, inappropriate forms of technical assistance and so on. But I believe that with the right kinds of leadership, these problems can be managed and even overcome.

A year later the World Bank came up with its first report on governance\textsuperscript{6} in which a definition of the term was given. Governance was defined as the manner in which power is exercised in the management of a country’s economic and social resources for development. The 1992 World Bank Report concluded that if sustainable development is to occur a predictable and transparent framework of rules and institutions for the conduct of private and public business must exist. The Report went on to state that good governance is optimized by predictable, open, and enlightened policy making, a bureaucracy imbued with a professional ethos, an executive arm of government accountable for its actions; a strong civil society participating in public affairs; and all behaving under the rule of law.

According to the World Bank’s second report on governance\textsuperscript{7} three distinct aspects of governance have been identified:

(i) the form of political regime;

(ii) the process by which authority is exercised in the management of a country’s economic and social resources for development; and

(iii) the capacity of governments to design, formulate and implement policies and discharge functions.

The World Bank argues that the first aspect is outside its mandate because its articles of agreement explicitly prohibit it from interfering in a member country’s internal political affairs and require it to take only economic consideration into account in its decisions.

\textsuperscript{4} Deng, L., “Introduction”, in L. Deng, M. Kostner and C. Young, ibid.


Following the adoption of governance by the World Bank, other multilateral financial institutions followed. The African Development Bank published its position in 1993.\(^8\) While multilateral institutions claim that they do not interfere in the internal politics of recipient countries under the guise of governance, the same is not true of the bilateral donors who in any case play a very prominent role in donor meetings in which the World Bank also participates such as the Consultative Group Meetings. How would the World Bank react if major donors such as the USA, UK, Germany, Sweden etc. demand that their aid to a particular country will be conditional upon certain political changes taking place? Will the World Bank continue to assist a country which the major donors would like to isolate because of its failure to effect necessary political reforms? Commenting on this matter the Bank’s own report on governance had this to say:\(^9\)

In its role as Chairman of the Consultative Group (CG) meetings between donor agencies and governments, the Bank has at times communicated to borrowing countries views of the donors on issues relevant to the political dimensions of governance that fall outside the Bank’s mandate.

Structural adjustment conditionality has as a result become all embracing. It includes both economic as well as political conditionality. The conditionalties have to be fulfilled by administrations in recipient countries before the financial assistance pledged under SAP can be disbursed. This paper seeks to examine the impact of conditionality on the bureaucracies in recipient countries. It seeks to address issues such as what role these bureaucracies play in the design of these programmes, whether these bureaucracies are capable of successful implementation of the programmes, whether the introduction of a multiplicity of conditionalties impacts on the successful implementation of the programmes; the relationships between recipient bureaucracies and international experts that are often recruited to assist in the implementation of the programmes etc. Lastly, the paper will examine what future role international cooperation can play to address some of the criticisms that have been levelled at SAP conditionality.

**PARTICIPATION IN THE DESIGN OF THE REFORMS**

SAPs are universally labelled as IMF/World Bank programmes. It is because of this perceived origin that critics argue that these programmes tend to prescribe the same treatment for different types of ailments.\(^{10}\) In the eyes of many critics

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Structural Adjustment Programmes are IMF/World Bank inspired and are offered to countries in acute need of financial assistance. In this condition countries are not in a position to reject the bitter medicine being offered. It is this view of SAP that has led to critics arguing that these programmes are foreign inspired. It was in recognition of this problem that the late Tanzanian Minister of Finance had this to say on SAP:11

Structural Adjustment has important political dimensions. If the leadership understands and endorses the programme, it improves the acceptability of the programme. Furthermore, the utilization of adequate capacities in these countries to participate effectively in the preparation of these programmes enhances ownership by these countries.

For structural programmes to be credible they should be embraced wholeheartedly by the political leadership. This is the most important part in the adoption of an adjustment programme. Political endorsement will enable officials to participate in the design without any fears of recrimination should anything go wrong. Political acceptance also guarantees that the programme will be sold to the population at large.

The participation of recipient bureaucrats in the design of the programme is a critical issue which may determine acceptability or otherwise. The views of the critics is that the programmes are made in Washington D.C. and because of this they do not reflect the local realities. In particular, it is this lack of sensitivity to local conditions which has been blamed for the problem of increasing poverty and unemployment.

In a study of SAP in the Southern African region it was acknowledged that SAPs can be IMF/World Bank inspired or home grown. Even though home grown a SAP programme would have to be accepted by the Bretton Woods institutions for it to qualify as a SAP programme worth the support of the donor community. The study also acknowledged that in a majority of cases staff from Bretton Woods institutions play the primary role in designing these programmes. In some cases the participation of advisory teams from institutions such as Harvard or Oxford Universities is also becoming a common feature. These help to render credibility to whatever programme may emerge.

While the participation of external technocrats is a reality in the design of most SAPs this should not obscure the fact that a number of local experts also play a big role in the process. The production of a document such as the “Policy Framework Paper”, for example, requires information from all sectors of the economy. No single team of experts can bring together this information. The process of preparation therefore involves the collaboration of local experts from all sectors. In fact quite often the external experts may only be used in the finalization of the document. The arrangement whereby local experts actually write

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the programmes has quite rightly come under attack in recent times. Questions have been raised about whether it is the expertise or credibility countries are paying for when engaging external experts.

The high cost at which the foreign experts are hired especially in relation to the pay of local experts has been another controversial issue. Some people feel that with comparable pay good local experts can be found to do the same tasks being undertaken by the foreign experts. This process can be improved if sufficient resources were put into capacity building so that the design process can be entirely under the control of recipient bureaucrats and if conditions of service for local experts can be improved.

The prevalence of foreign experts in countries undertaking adjustment programmes can be a source of tension and at times humiliating to local experts especially on issues relating to conditions of service. A common observation has been that what is often classified as misuse of public property by local experts may not be classified as such if done by a foreign expert. A typical example of this is the use or misuse of motor vehicles. Foreign experts are provided with motor vehicles on projects where they work. These vehicles are public vehicles in the same way that government vehicles are, yet the foreign experts can use these vehicles for work as well as leisure while castigating local people who may be using the government vehicles for the same purposes as themselves. There are cases where transport facilities have been denied to local counterparts while their expatriate colleagues have had vehicles extended even to their spouses. Tensions arising from variability of conditions of service between local and expatriate personnel will, therefore, tend to increase during periods of implementation of structural adjustment programmes because more expatriate employment is encouraged during this period.

The attraction to expatriates which can also be termed as attraction to technocrats is also extended to some local experts. There is now a common practice by the World Bank to attach some local experts to critical institutions like Ministries of Finance during periods of implementation of SAPs. These local experts who quite often are paid by the Bank itself as coordinators of some project within the Ministries are well selected, ensuring that they fully support the SAP programmes and will, therefore, serve as the Bank’s anchormen within the concerned governments helping to speed up the decision making process. The appointment of such local technocrats who naturally work in concert with the foreign experts has had the tendency to reduce very significantly the tolerance of independence of opinion on matters relating to SAP. The main players have become the foreign experts and those local anchormen or “creatures of the IMF and the World Bank” as they are often called. This, to a large extent, has compromised the quality of SAP programmes that have emerged. Although countries must adjust, programmes of adjustment that have emerged would have been much more effective and locally relevant had an environment of critical analysis been permitted at the design stage.
IMPLEMENTATION OF REFORMS

Structural Adjustment Programmes are implemented by Ministries of Finance in all recipient countries and it is the Minister of Finance of each country who is seen as the Chief Pilot of any SAP programme. The stature of the Minister of Finance, therefore, is very critical to the success of these programmes. A Minister of Finance who is respected by his colleagues in cabinet can sell the programme easily regardless of the sacrifices entailed. Similarly, a Minister of Finance who is in good standing with the donor community will, perhaps, have fewer difficulties filling the financing gap.

Apart from a strong political leadership the presence of a strong technocrat or group of technocrats to lead the recipient bureaucrats in negotiations with the donors is also a common feature. Inter-ministerial committees under the Chairmanship of the Ministry of Finance are the main vehicles through which monitoring of the programmes is achieved. Such a committee would in the initial “stabilization” phases be dominated by Finance and Central Bank officials but would in later “sectoral adjustment” phases also incorporate officials from sector ministries. The success of such committees will depend upon the information made available to them and the degree to which independence of opinion will be tolerated. Independence of opinion, as noted above, is regrettably not tolerated.

Recent experience in sub-Saharan Africa shows that with the advent of SAPs focus has shifted from long-term to short-term concerns. In most countries planning agencies, i.e. Ministries of Planning, have been major victims as a consequence of this shift. In almost all countries undertaking SAP there are plans to abolish Planning Ministries or have them swallowed up by Ministries of Finance.

This may not be the right thing to do. While it is generally accepted that central planning of previous times is incompatible with the liberal economies envisaged under SAPs it is questionable whether liberal economies do not need a vision of the medium and long term. The World Bank/IMF’s attitude towards planning is a long standing one. In the case of Zambia, the planning agency has always been under threat each time a IMF/World Bank sponsored programme was initiated. This position of the IMF/World Bank puts them in direct contradiction with the United Nations Development Programme (UNDP) which is currently sponsoring National Long Term Perspective Studies which are supposed to provide a generalized view of development in individual countries in the next 20 to 25 years. These contradictory approaches by major agencies are not helpful to the recipient bureaucracies. Very often they introduce rivalries between local officials which may hamper the proper implementation of SAPs.

The management of SAP requires timely data on a number of economic variables such as government expenditure, money supply, exports, imports, employment, agricultural and industrial production, inflation etc. The timely
availability of this information forms one of the critical yardsticks for the evaluation of the effectiveness of a recipient bureaucracy.

From the point of view of the Bretton Woods institutions the success of a recipient bureaucracy is measured by the degree to which the benchmarks agreed upon are achieved. If government expenditure is being kept under control, money supply is brought under control and inflation is coming down the bureaucracy will get high marks from the Bretton Woods institutions. The verdict of the general public will however be different. Measures to bring down inflation squeeze the economy. In the process jobs are lost. In recent experience economic liberalisation has led to the collapse of industries in many countries. It is difficult to associate this result with success whatever justifications one may offer.

The implementation of conditionalities relating to governance presents special difficulties for bureaucracies. Whereas officials can easily implement conditionalities relating to budget deficits, market liberalisation etc., they are not in a position to implement issues relating to democratisation, freedom of the press, etc. These are issues that can only be handled at a higher political level. It is, therefore, quite frustrating when negotiations with donors reach an impasse over non-economic issues over which the technocrats have no control. The recent rift between United Kingdom and Kenya for example13 related to an issue over which the technocrats have no control and yet it will affect the performance of that country’s adjustment effort in spite of the country’s good results in meeting the economic benchmarks. Zambia found itself in a similar situation during the December, 1993 Consultative Group Meeting. The team that went to the meeting carried with them an impressive report on macro-economic performance but the meeting collapsed on account of one non-economic issue—the presence of alleged drug traffickers in the cabinet.

The management of political conditionality in structural adjustment will continue to pose serious problems for implementers. This is particularly so, as Young has noted,14 because with the demise of the Soviet Union and the end of the Cold War the competitive pursuit of strategic clients which led both sides in the conflict to help sustain regimes supplying geographical services is no longer there. Countries are now being evaluated politically for what they are rather than what role they can play in the global strategy of a super power. What this means, therefore, is that unless ways are found of disentangling political from economic conditionality well executed programmes could well face undue interruptions due to the non-fulfilment of political conditionality.

14 Young, C., “Democratization and Structural Adjustment: A Political Overview”, in L. Deng, M. Kostner and C. Young, op. cit.
TO WHAT EXTENT HAVE THE REFORMS LED TO A MORE EFFICIENT AND ACCOUNTABLE BUREAUCRACY?

The removal of state control of the economy does remove a large number of negative influences on the way an economy functions. Two examples can be given:

(i) The removal of exchange controls—releases labour in Central Banks where this function was centred. This policy change also removes one of the major sources of corruption; and

(ii) The removal of price controls—eliminates shortages almost instantly (some people say it eliminates shortages in shops but transfers the shortages to pockets). On the part of the bureaucracy it saves on labour that was engaged to enforce the controls. It also eliminates a source of corruption.

Since the SAP reforms are market oriented they tend to push the economy towards higher efficiency. Since the market is viewed to be less wasteful compared to the public sector this is a positive development. One of the major gains is the removal of conditions which tended to encourage corruption. The reforms help to create a more transparent system both economically and politically.

FUTURE ROLE OF RECIPIENT BUREAUCRACIES AND THE ROLE OF EXTERNAL ASSISTANCE

Recipient bureaucracies will need to play a greater and more assertive role in design and the implementation of SAP. In fact one would like to see adjustment effort being undertaken on its own merit not because countries seek access to donor assistance.

As masters of their destinies these bureaucracies should be able to have both a long term as well as short term view of their economies. Countries will, however, need to be realistic about what is feasible and what is not. Poverty reduction, for example, has been difficult to resolve under current SAP programmes because the programmes have tended to increase rather than reduce the number of people severely afflicted by poverty.

The promise of high levels of foreign investment on which some of the SAP programmes are premised proved false. The truth is that foreign investors will be very difficult to attract to sub-Saharan Africa in the next ten years regardless of the type of incentives that may be introduced. Given this, SAP programmes must be designed in such a way as to put greater emphasis on local investments. Policies must be designed in such a way that they encourage local investments. Donors could assist in the development of the private sector (both foreign and local) by increasingly voting higher sums of their bilateral aid programmes to the support of this activity.
Donors can assist in the human resources development field by providing training necessary to develop a capacity for programme design, implementation, monitoring and evaluation. The development of local SAP design teams will ensure that programmes with a strong local relevance are developed as well as supported.

Bilateral donors can also play an important role in assisting the Bretton Woods institutions to repackage some of their programmes. Aspects of current SAPs such as excessive liberalisation and rapid reform in too short a period could be changed if appeals for alternative approaches were voiced by both recipients and bilateral donors.

Structural adjustment could probably have a more respectable face if it was not seen as a programme designed to ensure that a country repaid its debts to the Bretton Woods institutions. Because of the current strong linkage between debt repayment and SAP programmes much of the hardships experienced during SAP implementation is seen as directly related to debt repayment. Bretton Woods institutions are seen as heartless and willing to inflict any amount of pain for the sole purpose of getting their debt repaid. The only way this rather sad association of SAP can be eliminated is by finding a more lasting solution to the debt problem. Many of the countries currently facing serious financing problems could in fact adequately finance themselves if only they did not have to repay debt.s Structural adjustment without the debt burden would be more bearable and respectable.
Chapter 6
Major Issues Related to the New Framework
for International Development Cooperation

Roger C. Riddell

The focus of the paper is on what might be termed “questions for donors” arising from new issues and debates about aid in the 1990s and beyond. It places particular emphasis on dilemmas or tensions that donors face in trying to think through the notion of aid “needs”: what sort of aid do recipients need and how does one judge whether these needs are being met. Some of the issues raised here are fairly new, others, though old, have recently been viewed in a new light or have had a new emphasis placed upon them.¹

THE MOTIVE AND PURPOSE OF PROVIDING AID

Why do Nordic donors provide aid and what is the intended purpose? Much confusion can arise from a failure to distinguish more clearly between the motive for giving aid and the purpose of the aid provided. Thus, the development/moral motive for providing aid has always been the felt-need to respond to the problems of poverty and underdevelopment. But what is the overall purpose or aim of the aid provided? Is the purpose of aid solely and exclusively aimed at helping to solve the problems of poverty and to contribute directly to its cessation? If so, aid will be judged in relation to its achievement of these particular objectives. Or, is the purpose of aid to provide the recipients of the aid with the means (or more of the means) by which they themselves are better equipped, more capable and better able to solve the problems of poverty? If the latter, then aid will be judged less against development performance criteria and more in relation to its contribution to enhancing the abilities and capabilities of recipients themselves to set in motion a (sustainable) strategy to reduce poverty.

¹ Much of the discussion here is drawn from two longer papers: A New Framework for International Development Cooperation: Towards a Research Agenda prepared in July 1995 for the Office of Development Studies, the United Nations Development Programme (UNDP), New York, and Aid Dependency prepared in October 1995 for the Swedish International Development Cooperation Agency (Sida).
When little to no distinction is made between the motive for giving aid and the purpose of the aid provided, or when these differences become blurred, in practice aid tends to be viewed *predominantly* more in terms of helping to achieve specific development objectives, with high priority given to poverty alleviation indicators. Unsurprisingly, it is also assessed against these objectives. Yet when the purpose of aid is separated more sharply from the motive for providing it, it becomes possible to focus more clearly on purposes beyond those provided by monitoring development indicators. Most particularly it enables one to focus on the use of aid and the form in which it is provided in relation to *its ability to enhance and improve the capacity of the recipients themselves both to involve themselves more directly in the development process and to bring about development for themselves*. If aid is provided for this purpose, then this is likely to influence not only ways in which it is assessed but the forms in which it is provided.

Thus a crucial question which donors need *continually* to address is whether the purpose of aid is to contribute to the development process directly, or whether it is to strengthen the ability and capacity of the recipients to achieve these objectives themselves. Donors are likely to answer that they try to do both these things, though perhaps not with all the aid provided. But in practice not even this is clear. The importance of highlighting the distinction is not that donors are unaware of it but that their practical approach to aid would often appear to be contradictory. Thus, on the one hand, donors are now increasingly arguing that their aid should be provided only if its intended effect has a chance of being sustainable in the medium to long term, maintaining, too, that much (perhaps most) of aid’s lasting impact is likely to be influenced crucially by the extent to which the recipients are involved directly in decisions about aid priorities, working out its form and monitoring its use. Yet, on the other hand, donors appear to be placing *increased* emphasis on assessing the impact and quality of their aid in reference to the development outcome achieved. The result is that *in practice* donor activities appear to be weighted heavily against working out how the aid they provide might be packaged up better in forms

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2 In view of the particular place given to poverty reduction in Sweden’s aid programme it is of relevance to note that the recent Norwegian Commission Report *Norwegian South Policy for a Changing World* (1995) called upon the Norwegian Government to down-play its direct commitment to poverty alleviation and to bias the approach to aid more in favour of capacity building.

In principle the Commission is sceptical about the idea that Norwegian or other international donor organisations should find, and provide aid directly to, the poorest parts of the population or special target groups in countries in the South. The role of aid must be to support countries’ own development policies and institutions so that they can fulfil essential functions ... The Commission suggests that the (Norwegian) aid programme for low welfare countries be divided into two programme categories: a long-term programme for resource, capacity and institutional development aimed at a limited number of countries; and one or more regional funds that can finance more short-term measures and investment needs in the same welfare countries... as a supplement to the long-term programmes. The Commission envisages fixed budget allocations for selected low welfare countries covering only long-term programmes for institutional and human resource development.
which focus on strengthening and enhancing the capacity of recipients both to involve themselves more directly in the development process and to achieve their development objectives for themselves.

But there is another linked drawback which needs to be highlighted. It is entirely appropriate, indeed commendable, for donors to wish to enhance the impact of the discrete aid projects or more general aid interventions that they fund: if nothing else, they are accountable to parliament or their boards to ensure that taxpayers’ money has been used as efficiently and effectively as possible. Yet the very process of focusing on ways to improve development impact not only strengthens the incomplete notion that the purpose of aid is exclusively to produce tangible development improvements, it also reinforces the false view that it is aid which makes the crucial difference to and is the catalyst of development.

No donor today would be brash enough to argue that its view of development and the contribution of aid to the development process is one in which aid recipients are seen as passive by-standers only interested in development when donors come along and encourage them into action with the injection of external resources. Yet the manner in which aid assessments are approached, and the expectations often created, would tend (unintentionally) to encourage a view of aid which implies that it is aid which makes the difference, thus reinforcing precisely this particular mind-set. In reality and in strong contrast, the evidence suggests that frequently aid is likely to have least lasting impact when those providing it believe that it is the aid given which is the driving force of development, and that it is the donor which is the decisive factor in the development process.

A particular dilemma which donors face is that, on the one hand, they need to convince their home constituencies that aid “works” and that it has an important role to play in development. On the other hand, they need to work with the notion that it is not aid which makes the crucial difference to development. At its best, that is, when the aid is working well, aid can help to accelerate the rate or pace of economic development. If aid is not necessary for development, how can one argue that there is a moral necessity to provide it? The argument from can be made in three stages: (a) that the extremes of poverty in the third world demand immediate attention; (b) that for poverty to be eliminated economic development needs to be speeded up, and (c) that this development is more likely to occur with aid than without it.

AID NEEDS AND THE MARKET

The recent prominence given to “the market” have also influenced the way in which aid needs are understood. In particular, poverty and the lack of resources no longer provide a sufficient basis to justify the provision of official aid.
Changing attitudes to the respective roles of the state and the private sector are also leading to questioning the automatic link made between helping and providing aid. In many donor countries, economic development at home is viewed increasingly as occurring best not so much when the state intervenes directly but when it provides the framework and incentives for the market to work more efficiently. Consequently it is asked why such increasingly-shared views should not apply with equal force abroad, especially when the forces of globalisation are fast removing the rigid distinctions formerly made between developed and developing economies. Increasingly, aid’s role is being seen, variously, in terms of helping to promote the expansion and deepening of the market, helping to address critical needs in cases of market failure; and, more indirectly, supporting the strengthening of a well-functioning state, the legal system, a democratic political system, and an open transparent and information-rich society within which market-based development can be nourished and flourish. In the words of a recent OECD aid position paper, aid should be used “to promote interventions geared to helping markets work more efficiently or to correct market failures. Donors should avoid interventions which create or deepen market distortions”. One conclusion to be drawn from the new market-based perspective is that need on its own is no longer a sufficient condition for donors to provide aid: it should be an additional requirement for potential recipients of aid to be unable to obtain for themselves, by means of the market, what aid donors provide: finance, foreign exchange, budgetary support, goods and services and technical assistance. More specifically, the provision of aid should be dependent upon either an inability of recipients to obtain the goods, services or finance required via the market, or where obtaining (purchasing) them through the market creates such adverse effects on the economy, and or on the lives of its citizens (or both), that they are too onerous to bear.

The logic of the new market thrust of aid provides a further challenge to donors in terms of expectations of its impact and tools of assessment. Thus where aid is increasingly being justified in terms of being provided most where markets are non-existent, highly inefficient, distorted or only partially developed, aid will be needed most in precisely those contexts and circumstances where it is least likely to be effective, and in circumstances least conducive to its being utilised efficiently. This presents a particularly acute dilemma for donors who wish to show parliamentarians, voters and critics the merits of a development aid programme: those contexts in which aid is most likely to be shown to be having a beneficial effect on development will tend to be those places where it is least needed. Relatedly, aid is most likely to be needed in precisely those contexts and circumstances where it is going to be particularly difficult, in some cases impossible, to assess its impact using the tools and techniques of conven-

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tional economic analysis. It would thus appear that there is strain, if not outright contradiction, between donor views and insights into market-based approaches to aid and the manner in which these have been fleshed out in practice.

AID AND THE PATH TO SELF-SUSTAINING DEVELOPMENT

If the aim and purpose of aid is to assist the recipient on the path to self-sustaining development, the question arises what factors are likely to enhance the achievement of these goals? In trying to answer this question, the paper groups and divides these up into three clusters: the basic pre-conditions for development to occur; the commitment, capacity and capability of the recipient to embark upon and follow the path of self-sustaining development; finally, importantly and often not sufficiently analysed, the role of the donor, including the relationship between donor and recipient.

The Basic Pre-Conditions

From the earliest days of the evolution of aid theory (but, if not forgotten until recently, then largely ignored), the virtuous effects of development aid have always been argued in terms of the context or setting in which the aid was to be inserted. Indeed it has always been the view of aid’s proponents that unless the conditions are right and the context conducive, development aid would never be likely to achieve the objectives for which it is given: and it would certainly fall well short of expectations. Thus certain pre-conditions are minimally necessary for aid’s potential positive impact. They would include the following:

- indicators of overall stability, embracing absence of war and civil strife, extending to manifestation of the existence of law and order. Measurable proxies of these might include the following: military expenditure, trends in emergency aid, the geographical functioning of government departments, and crime figures.

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4 In contrast, donors believe that “critical evaluation ... (is able) to identify the best and most cost-effective approaches for implementing effective aid” (OECD, 1995, Development Partnership in the New Global Context).

5 Thus, Chenery and Strout maintained that the contribution of external resources “may be large or small, depending upon the response of the recipient country” (Chenery H. and Strout, A.M. (1966) “Foreign Assistance and Economic Development” The American Economic Review, Vol. LVI, September, pages 723, 703). Similarly, Rosenstein-Rodan argued that the principal element in the transition to self-sustaining economic growth “must be the efforts the citizens of the recipient countries themselves make to bring it about”, adding that “capital aid should be offered wherever there is a reasonable assurance that it will effectively be used” (Rosenstein-Rodan, P.N. (1961) “International Aid for Underdeveloped Countries”, Review of Economics and Statistics, Vol. 43, No. 2, May, page 107).

6 The traditional distinction made between different forms of aid—emergency assistance and development aid—are becoming less important in determining what to do, how to help, what time-
– a legal framework, judicial system and institutional structures minimally capable of enabling government and the economy to function. Here the issue is not so much “degrees of efficiency” (to be considered below) but more whether very basic minimal framework is in place. The indicators might be measured in relation to: the existence (at least on paper) of a functioning legal system, including importantly, an independent judiciary; access of citizens to the system; minimal rights in relation to freedom of assembly and the formation of voluntary associations;

– the term minimal “institutional structure” means the existence of minimal skills and an administrative framework in order that the state is able to function and business is able to operate. This would include a state administration covering central authorities and coverage of the main population areas, with staff able and willing to carry out minimal functions.

Achieving these basic pre-conditions would normally be considered a necessary condition for development aid to have any chance of achieving its objectives. An important and immediate conclusion is that if a recipient state fails to fulfil, or deteriorates to the extent that it no longer fulfils, these minimal conditions and development aid is provided, then aid is highly unlikely to achieve its development objectives: continuing to provide development aid will not produce the development outcomes intended. But this does not necessarily mean that no development aid should be provided. It may well be highly desirable that aid at the micro-level be provided, for instance, to enhance the level of skills of government or potential government officers, or to help to create a new legal system. But it almost certainly means that aggregate positive effects of the aid provided will not be evident. It also suggests that if the international community wishes to help poor countries in such conditions to develop, what is likely to be most helpful are forms of assistance and interaction different in nature and form from development aid.

The Commitment, Capacity and Capability of the Recipient

It would clearly be naive to expect governments to be “totally committed to development”, or for all administrative staff to be totally dedicated to their work. Besides domestic economic growth, all governments have other legitimate commitments (national, regional and international, political, cultural, security-related) which they need to pursue. What is intended here is more to try to judge whether a minimum commitment to development is evident. This can be considered both positively and negatively. Thus the commitment of the recipient government to further the process of self-sustaining development,
including its commitment to try to utilise aid resources effectively is likely to be revealed in relation to the following types of indicators:

- Government statements outlining both its commitment to development and realistic measures to achieve these objectives;

- Consistency between what the government states is its development intentions and what it does in practice. Here one is not so much concerned with actual outcomes, not least because some perverse outcomes may have resulted from influences well beyond the influence of the government, but with two sorts of performance indicator: the first that initial policies embarked upon are in some minimal sense “pro-development”; the second that there is sufficient evidence of attempts to introduce countervailing policies when unexpected perverse outcomes result: what might be termed “staying power”;7

- Openness and transparency in relation both to providing information and data on economics and to civil society, but also in relation to helping donors (or not putting obstacles in the way of allowing donors) to monitor and assess the impact of the aid they provide. One indication of openness and transparency would be the attitude of the host government to corruption: both trends in the extent of corruption and trends in serious attempts to address the problem, perhaps by using Transparency International’s corruption index, might prove useful in this context.8

- One indicator of the commitment of the host government to use aid effectively might be judged by the extent to which the government is willing to draw up a profile of its own needs and outline how it intends to co-ordinate the inputs, and programmes of different actual or potential donors.

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7 The term “flexible” economy is now sometimes used to attempt to capture the different characteristics which mark out economies for which development is a goal that is actively pursued. Building on the experience of the East Asian NICs, Seddon and Belton-Jones focus on the links between politics, institutions and flexibility thus (Seddon, D. and J. Belton-Jones, “The Political Determinants of Economic Flexibility with Special Reference to the East Asian NICs”, in T. Killick, (1995), The Flexible Economy: causes and consequences of the adaptability of national economies. London: Routledge and the Overseas Development Institute):

Economic flexibility depends crucially on policy adaptability: the capacity to change the policy framework within which the economy operates, whether in detail or in overall direction, rapidly, efficiently and effectively, and without undue social or political friction. Policy adaptability is a function both of the character and ethos of the government and the bureaucracy ... and of their degree of insulation from the immediate pressures of the political arena. ... Insulation (not the same as isolation) is possible only if the relationship between the policy-making process and the wider political economy permits the effective regulation of both ‘the state’ and ‘civil society’ within certain broadly acceptable parameters. ...

8 Werlin distinguishes between primary corruption—simply greed or excessive partisanship or selfishness that is subject to official punishment or popular condemnation, as suggested in typical definitions of corruption—and secondary corruption, referring to greed (or merely manifestations of ambition or survival) in the absence of viable governance which tends to be systemic or standard operating practice. He argues that the roots of corruption lie not so much in excessive greed as in the failure of the political system to protect the public which can only be confronted by addressing the low quality of governance through, for instance, promoting legitimacy, accountability, decentralisation, respect for human rights and the rule of law and participation. (Werlin, H. H. (1994) “Understanding Corruption”, report for the World Bank. Maryland (mimeo, August).
Commitment to achieving the goals of the aid provided and of self-sustaining development needs to be married with at least a minimal ability to do so. Our concern here is not so much with the capacity of the economy to absorb different amounts of external assistance, and the effects on different variables such as the exchange rate, inflation rate, the money supply etc.: these will have been monitored by examining trends in the appropriate quantitative indicators discussed above. Here the concern is more with the capacity and competence of prevailing institutions, government departments and key individuals to do a number of things:

– helping to assess the need for aid at the aggregate and sectoral, national and local level;

– the ability to administer particular packages of aid;

– the ability to monitor the performance of the aid provided and take appropriate action when the gap between objectives and what happens in practice is particularly wide; and

– the ability to use lessons learnt from past aid to help work out current and future aid needs and enhance future aid effectiveness.

Two immediate questions arise: how does one assess such competence, and how great a level of competence should one expect? These are both important but difficult questions to answer. This is because to the extent that skills shortages are a symptom of lack of development and inability to embark (unaided) on the path to self-sustaining development, it is quite likely that one of the criteria for judging the need for aid lies precisely in inadequacies in this area. Thus it would be too harsh a requirement for governments already to have the ability to manage an aid programme with great efficiency. The question is how one should judge what should be the minimum required.

In many respects, the question can only be answered within particular country contexts. Once the relevant basic pre-conditions for the receipt of development aid have been met (and thus that there is a “basic” ability to “manage” the aid provided), what becomes most important is to find and monitor indicators which point to the increased ability of the recipient to manage the aid with growing competence. Clearly if there are not enough people to help manage and monitor the aid programme, or if there is little tangible evidence of a willingness to co-ordinate different aid programmes, then aid impact will suffer adversely. Clearly, too, if civil servants have little ability to carry out their jobs and are given little to no training to enhance their competence, then, too, one can be fairly sure that the problems of weak absorptive capacity are not being addressed. Additionally, if the salaries of key personnel are not at a level near or moving to a living wage then it is highly unlikely that they will have the incentive to do the job, even if they are capable and competent individuals.
For aid managers, the basic questions to ask are what proportion of your aid programme is targeted to helping to enhance the commitment, capability and capacity of the recipient and what efforts you are making (with the recipient) to devise indicators which might be used to monitor progress in this important area.

But low absorptive capacity could also occur as a result not merely from weaknesses of individuals, but from weaknesses within and across prevailing institutions or even from the absence of institutions necessary to manage the aid and to provide the broader “enabling” environment to enhance self-sustaining development. Again, it may well be necessary for aid agencies to consider far more deeply and systematically than they have in the past the extent to which they are matching the increasing quantities of aid they provide with the adequacy of the institutions through which these increasing funds are being managed and administered.

These points provide the entry point for discussing the third cluster of contextual and structural constraints which can limit aid’s impact and thus either directly or indirectly work to maintain aid dependency, namely the relationship between recipients and donors.

The Relationship between Donors and Recipients

Aid giving has evolved to be something far more extensive and complex than merely the handing over of a single quantity of money to the aid recipient and its discrete and isolated use. Aid giving in most aid recipient countries now involves an institutional set of relationships between a range of donors linked to the recipient both at the centre (usually through the Ministry of Finance) and downwards to different ministries, institutions and individuals. The evolution, in most aid recipient countries of the ever more complex inter-relationship between donors and recipients has occurred not merely as a result of the growth of aid and its existence in different discrete forms, but it has been influenced by the urgings, promptings and decisions of the donors, largely prompted by donor concerns to monitor aid more closely and to try to enhance its impact. On the face of it, the purpose and objective have been highly commendable. For too long, aid was provided on the assumption that it would achieve its objectives. But once donors took the decision to undertake comprehensive

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9 Discussion of aid effectiveness has often tended to “stick” at the level of institutions and not discuss weaknesses of key individuals—hence the deliberate mention here of individuals before institutions. This orientation is consistent with and supported by the following comment from Grindle and Thomas (Grindle, M. S. and Thomas, J. (1991) Public Choices and Policy Change: The Political Economy of Reform in Developing Countries. Baltimore and London: Johns Hopkins University Press, page 182):

... public officials are almost always actively engaged in efforts to influence the scope and nature of change in their societies. Their perceptions, activities, motivations, and impact therefore deserve more systematic analytic attention than has generally been given them in discussion of the policy process in developing countries.
monitoring of project performance, to commission in-depth evaluations of impact and to respond to weaknesses exposed, it is inevitable that the institutional relationship between donors and recipients would become far more complex. Indeed, the larger the individual aid programmes of particular donors and the more extensive the different relationships between donors and recipient are the greater is the potential for the institutional infrastructure between donor and recipients to play a role of its own which, cumulatively could influence adversely both the impact of the aid provided and, more widely, the ability and potential of the economy to proceed as rapidly as possible on the path to self-sustaining development. Additionally, this is more likely to occur in countries which receive more rather than less aid, but it is these countries which are least likely to be able to absorb such “costs”. It is in this sense that the aid relationship could itself play a role in exacerbating an aid recipient economy’s dependence upon aid.

The purpose of this section is to raise a series of questions which are intended to shed light on the potential aid dependent nature of donor-recipient interaction. The perspective through which donor-recipient relationships are viewed is in relation to the way they might accelerate and enhance, or inhibit and frustrate, the achievement of self-sustaining development. More specifically, we are concerned to highlight indicators, or to raise questions for donors to answer, which might pinpoint the extent to which the donors are both committed to the rapid achievement of the overall purpose of aid, and the extent to which their actions or their failure to act helps or hinders the furtherance of this objective.

Consider first the overall aid relationship. If donor aid is provided in order to meet priority needs impeding the path to self-sustaining development, and especially if it is provided to help increase the capacity and capability of recipients to manage their own development, then donors should be asking the following sorts of questions.

1. To what extent is your aid programme based on an overall assessment of aid needs in the country and the sharing of the allocation of responsibilities and inputs with other donors based on comparative donor strengths? How often is this needs-based review carried out? If the recipient does not have the skills to draw up a profile of its aid needs (short term and long term), what resources are you allocating to help fill these gaps?

   (i) Do you provide aid for purposes other than needs-based development? If so, how do you ensure that the gaps and potential conflicts between these and the recipients development goals are minimised?\(^{10}\) What proportion of aid is tied and what are the costs in terms of raising costs? Do you always try to “buy local” rather than import goods, services and personnel from home in order to demonstrate your overall and broad

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\(^{10}\) Providing (large and increasing amounts of) aid for military purposes could well act as a disincentive for recipients to use development aid efficiently and effectively.
commitment to development? To what extent is the nature and composition of your aid programme coloured by your own agenda which might distort the recipient’s development path?

(ii) Over what time period do you commit aid funds and how does this time-frame accord with attempts to enhance the path towards self-sustaining development? On what basis do you decide to increase or decrease aid levels and how are these linked to the varying assessment of the needs of the recipient and the actions and decisions of other donors?

(iii) What resources do you devote to reviewing and analysing the effect of other donors’ programmes?

(iv) If you assess that other donors’ actions or activities are working against the aims of the aid you provide, or against the objective of achieving self-sustaining development with lower amounts of aid as quickly as possible, what actions do you take to address these problems? If you are unable to influence other major donors, what criteria would you use to assess when the adverse impact of other donors’ aid reduces the overall impact of your own aid to such an extent that you should decide to withdraw?

2. Do your relations with the recipient government involve specific steps to encourage the recipient to engage actively in initiatives aimed at reducing the need for and dependence upon aid, or do they encourage either passivity or continuing donor dependence? This issue might be answered in relation to the following questions:

(i) do you require/encourage/discourage recipients to draw up their own aid programme and aid priority check-list as a condition for providing aid? How do you help recipients to meet resource constraints in this area?

(ii) do you require/encourage/discourage recipients to take the lead in coordinating aid and linking aid to the wider process of working for self-sustaining development? How do you help recipients to meet resource constraints in this area?

(iii) do you require/encourage/discourage recipients to monitor and evaluate your aid projects and programmes? If not, what forum exists for recipients to provide feedback to you on evaluations and project completion reports? How do you help recipients to meet resource constraints in this area?

(iv) what mechanisms and monitoring systems do you have in place to ensure that efforts to achieve the particular objectives of different elements

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11 After 13 years as Ghana’s Minister of Finance, Dr. K. Botchwey resigned in mid-1995. Commenting on donor relations over this period he made the following comments (Africa Financing Review, Vol. 2, No. 4, 1995, p.16):

... I have one big frustration with donors. The disruption in the macro economic position caused by the unpredictability of concessional flows has been very damaging.
of your own aid programme are not achieved at the cost of wider recipient objectives to achieve self-sufficiency? For instance,

a) if you employ local staff at higher than local costs, what measures do you take to counter-balance these “distortions”?

b) if you use expatriates in your aid programmes, what measures do you take to impart skills to citizens of the recipient country?

c) how is the skills transfer component of your programmes incorporated into assessments of project achievements?

d) do you draw up and share with other donors and the recipient your detailed plans progressively to increase the share of locally-contracted staff to replace expatriate staff in your projects?

(v) what mechanisms do you have in place to compensate for the necessary institutional demands you place on the recipient in terms of the smooth running of your aid programme, for instance in terms of human resource time, skills and use of other recipient resources?

3. What conditions and other demands have you placed on the recipient in turn for the aid provided? Does the recipient know how these conditions relate to your fundamental concern and objective to promote self-sustaining development? Have you indicated to the recipient what you will do if these conditions are not met, especially if the recipient fails to meet the conditions deliberately with minimal extenuating circumstances? Are you consistent as a donor in terms of what you say you will do if conditions are not met? When you operate in and thus provide aid within a “soft state” do you encourage the perpetuation of its weak attributes by being a “soft donor”? Are threats to reduce aid followed through?

Most of the points and questions raised here focus on different institutional constraints that can arise out of the aid relationship. Many arise from tensions and conflicts between different objectives, including different types of objectives. Some arise from actions taken, some from the failure of donors to act. What they all share is a view of the aid relationship seen through the perspective of the twin core justifications for aid: that it should be focused on helping recipients achieve self-sustaining development and that it should, thus, be temporary in nature. Some of the key institutional implications of approaching aid through these sorts of questions have recently been summarised thus (Bossuyt, J. and G. Laporte (1994), “Partnership in the 1990s: How to Make It Work Better”, Policy Management Brief, No. 3. Maastrict: European Centre for Development Policy Management):

... the aid system must be reviewed from a recipient perspective. Local conditions and capacities should become the starting point of development programmes rather than the contextual footnote. It implies: scaling down expectations to what can realistically be achieved; adopting an interactive process approach to designing and implementing development programmes; adapting the nature of donor involvement to local capacities; and adapting financial flows to recipient implementa-
tion capacities. This implies that the “first-best” technical prescriptions and complex schemes may not be appropriate, that extended time horizons are needed.

Paradoxically, the first priority is not to build new institutions but to dismantle the wide array of ad hoc institutions created to speed up the implementation of (different component parts of) aid programmes.
CONCLUSION

A recent evaluation report for Sida has drawn attention to the wealth of literature now available on institutional building, but to the paucity of advice on how donors might implement policies to strengthen local institutions. Reviewing the literature on aid impact and aid dependency suggests not only that there is little advice available to donors on how to avoid or minimise the perverse institutional effects which providing aid can potentially have on the recipient economy, but that there has also been little rigorous analysis of the sorts of issues raised here. In short when donors try to examine the issue of the failure of development aid to achieve its objectives, it is common for them to focus most on causes which revolve around impact issues “out there” and less on possible causes to which they themselves are or might be party. Yet taken together, it should be apparent that donors, individually or as a group could well be playing holistically a large part in perpetuating the problems which aid, as packaged up in its individual component parts, is trying to help resolve.

As donors continue to broaden the perspective within which they view the role of aid—away from poverty-specific discrete projects to an approach which encompasses ways of enhancing the recipient’s capacity for achieving self-sustaining development—they are increasingly involved in drawing up their own new approaches to providing development aid. To the extent that they continue to undertake these activities individually and in isolation from what other “actors” (other donors, the recipient, non-governmental organisations) are doing, they will continue to run the risk of side-stepping what may turn out to be key factors impeding or frustrating the achievement of the objectives they set themselves.

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Chapter 7
The Politics of Good Development Aid:
Behind the Clash of Aid Rationales

Poul Engberg-Pedersen

INTRODUCTION

This paper examines the current international aid agenda, with a focus on bilateral and multilateral development cooperation with the least developed countries. The agenda is comprehensive, addressing all issues of development and nation-building, including people’s empowerment, basic needs fulfilment, economic growth, governance structure and practice, and natural resources management. The paper does not address aid to middle-income countries or to ‘countries in transition’ as the former centrally-planned economies euphemistically are called in UN and donor-speak.

The argument of the paper is that the current aid scene is characterized by two contradictory facts. Firstly, there is a real clash between two aid rationales: For market-liberalists, aid serves basically a welfare and gap-filling function; for interventionists, aid is a necessary means for development promotion. Secondly, and at the same time, there is an amazing consensus in the international aid business (politicians, bureaucrats, consultants and researchers) on what constitutes good and effective aid.

The difference between the two aid rationales is modified by real-life dilemmas faced by all major donor agencies. Hence, their aid programmes end up in an obscure mixture of the two rationales. The lack of clarity makes it more difficult for the aid community as such to move towards the delivery of good and effective aid. The dilemmas and the institutionalized search for compromise are in some ways the enemy of the clarity and transparency, which is a precondition for an effective division of labour among the donors and hence for the delivery of good development aid.

The first part examines the clash of aid rationales and the dilemmas faced by the major types of donor agencies. The subsequent part discusses the consensus in the form of ‘10 principles of good and effective development aid’. The last part discusses the (un)likelihood of the achievement of these principles given the current forces affecting aid politics.
THE CLASH OF RATIONALES

Aid as Welfare and Gap-filling vs. Aid as Development Promotion

The end of the Cold War has brought clarity into the aid debate in one respect: Gone are most of the naive distinctions between good and bad dictators, who should or should not be provided with aid. Instead, a more basic clash is emerging between perceptions of aid as welfare and gap-filling and aid as development promotion.

1. The advocates of aid as welfare and gap-filling acknowledge the ethical, political and economic needs to minimize human suffering and reduce the externalities of market-driven growth. Aid is needed to tackle emergencies, to develop human capabilities through social services (health and education), to cover the social and environmental costs of development, and to minimize global problems (such as international migration, resource depletion, terrorism, and drugs trade). The policy recommendation of these advocates is that aid must be ‘purified’ and largely reserved for the poor, the social sectors, and the least developed countries.

Under this rationale, the disappearance of aid as a foreign policy instrument in the Cold War has led to falling aid allocations, increased emphasis on humanitarian aid and basic distrust of aid providers and users, as seen most clearly in the US Congress.

2. The advocates of aid as development promotion recognize the need for public interventions to release and mobilize the developmental powers and resources of the poor, the marginalized population groups and the disadvantaged communities and societies around the world. Aid is needed for all of the tasks described under the aid-as-welfare rationale, but also for capacity building, empowerment, control of market forces and containment of events and developments that are deemed undesirable for political reasons.

The perspective is that aid must be harmonized with trade, investments and technology transfer and at the same time be linked with policy dialogue on governance and human rights.

This rationale suffers from the absence of a unifying, global development theory, which is reflected in the constant changes in fashion in development cooperation since the 1970s: basic needs, integrated rural development, structural adjustment, enabling environment, sectoral adjustment, good governance, etc.

The clash between the two rationales reflects a political disagreement, which seems to be centred on the role of the state in development. While the simplistic market-liberalism of the 1980s is receding, questions about the economic effects
of state intervention (rather than narrow questions about the economic role of state enterprises) remain a decisive dividing line. This is not surprising. The bulk of aid remains in the form of state-to-state cooperation (including multilateral aid). From the political struggle in our own societies, we are quite familiar with the deep-rooted and multifaceted disagreements that centre around state powers and resources. From both a formal and political perspective, all donors face essential questions on how to deal with the state.

**Formally**, state-to-state cooperation requires capacity in the state apparatus of the recipient countries in all fields of development cooperation and, indeed, management of resources for development. The ideological concept of ‘ownership’ is used by both donors and recipients to indicate concern for national and local capacity. In practical terms, capacity assessment and capacity development have become primary tasks for the aid bureaucrats of donor agencies.

**Politically**, questions about the ‘size’ of the state (the number of state enterprises, the size of the civil service, the share of public expenditure in GDP, the size of public deficits, etc.) are slowly giving way to questions about the powers and the effects of the state and its instruments on development. The discovery of the ‘developmental state’ in South-East Asia appears a little amusing when seen from a Nordic country, in which recognition of the developmental role of the state (as opposed to the ‘night watchman’ or even the welfare state) is age-old.

A few conservative advocates of aid as welfare and gap-filling try to disregard these questions of state capacity and powers. They focus on human rights (rightly so) and expect that a private sector and civil society miraculously will emerge (wrongly so) also in the least developed countries, so that state-to-state cooperation will be replaced by private sector and NGO cooperation between industrial and developing countries.

Anyone seriously involved in the aid business knows that this is ideological window-dressing and simple legitimization of political interests. There is no alternative to the state for public development promotion.

**Common Dilemmas to the Donor Agencies**

The current crisis of development aid is related to the dilemma, in which many key donors find themselves.

*The World Bank* is ideologically dominated by proponents of the first-mentioned aid rationale, but its means of intervention push it into support for state intervention in a diversity of fields with the explicit objective to promote development. With its emphasis on the market mechanism and private sector development, the Bank should logically concentrate its policy advice and its lending on macro-economic stabilization, social services, infrastructure development and pollution abatement. However, the Bank moves in its country
economic and sector work and in its project and sector lending far into issues of poverty reduction, activist creation of an enabling environment, and empowerment (tentatively at least).

Even in the heyday of liberalization and privatization under structural adjustment in the 1980s, the Bank was heavily involved in, e.g., agricultural extension, small-scale credit schemes and education, which extended the powers of the state and its effects on development. The significant contribution by European governments (and Canada) to IDA funding, to co-financing at country level and even to the management of the Bank through its Executive Board pulled the Bank away from a narrow implementation of the market belief and the welfare and gap-filling approach to development cooperation.

Interestingly, the Bank’s dilemma and position between the two rationales is most clearly expressed in its use of aid to achieve macro-economic policy change. Here, aid is not used for welfare and gap-filling, nor is it used to enable national institutions to promote development. It is used to coerce the state into reducing its own role in development promotion. No wonder that this has confused the aid debate and blurred the two aid rationales.

The UN agencies, in particular UNDP, find themselves in a similar dilemma, though for different reasons. Ideologically, UNDP has since the early 1990s placed itself squarely in the second rationale of development cooperation. The Human Development reports have argued for an alternative development paradigm, which in the problematic words of UNDP’s current Administrator is ‘pro-poor, pro-employment, pro-women and pro-nature’. The dilemma arises because the UN has had so few resources to follow-up on its teachings. Thus, in reality UN aid has been pushed into gap-filling and welfare.

This applies even to UNICEF, whose ‘adjustment with a human face’ was an attempt to develop a comprehensive advocacy of aid as development promotion. However, UNICEF obviously lacked the analytical capacity to challenge the Bretton Woods institutions, and hence retained a welfare focus in its aid.

The dilemma is also seen in the US Government’s aid policy and practice. Many USAID projects are hard to distinguish from those of the ‘like-minded donors’ (the Nordics, the Netherlands and Canada). Paradoxically, the dilemma to the US translates into a peculiar preoccupation with the fate of USAID as an independent agency in view of the efforts to dismantle it entirely or to integrate it fully into the State Department. A few years ago, a similar integration of DANIDA (Danish International Development Agency) and the Ministry of Foreign Affairs in Copenhagen did raise some concerns about de-professionalization of Danish aid due to the diplomats’ increasing influence, but it was never seen as a change in aid rationale and philosophy.

Still, the progressive donors also suffer from the clash of rationales. During much of the 1980s, they accepted too readily the lead taken by the IMF and the World Bank in the formulation of stabilization and adjustment packages and related conditionalities. These donors were/have been happy to use the resultant
room-to-manoeuvre to build their own aid agendas, which under both aid rationales include the pursuit of national political, economic and commercial interests.

Around 1990, various international fora were established for a dialogue among donors, aimed partly at reducing the ‘free ride’ of the bilateral donors in the field of macro-economic and structural policy dialogue with recipient governments. The working groups under the Special Programme for Africa (SPA) is an effective example. They have increased donor coordination and also what is sometimes perceived as ‘ganging-up’ against African governments. But they have also pointed to the above-mentioned real political disagreements on the role of the state. When these groups discuss for example public sector reform, basic differences of view dominate the debate.

This raises tough demands on the progressive donors: To have credibility in their advocacy of aid as development promotion, they must move away from the acceptance of an automatic lead role for the World Bank in country economic and sector work, in development policy research, and in aid coordination fora such as consultative group meetings. While each bilateral donor cannot on its own challenge the Bank in all fields, it could select a few sectors (such as peasant agriculture) or themes (such as public sector reform), in which to build its own analytical and policy-making capacity.

The more fundamental challenge to these donors—and to ourselves in the development research community—is that theories and evidence to back the assumption of a link between aid and development are weak. This may be due to the increased specialization in development research: the belief in global development theories has vanished. But it puts us on the defence relative to the neo-liberal proponents of free market forces.

GOOD AND EFFECTIVE DEVELOPMENT AID

The international aid business is huge and diverse. On the recipient side, it is dominated by civil servants in the core and line ministries of central governments, but it ranges from corrupt politicians and businessmen, whose accumulation of wealth originates in the pockets of Northern tax-payers, to the countless district health officers and nurses, who have to cope with hundreds of acronyms and procedures of donor pet projects.

On the donor side, the aid business is also dominated by bureaucrats in the state donor agencies and large NGOs, who have an unusual influence on policy-making and priority-setting. In Denmark, the so-called ‘aid mafia’ incorporates DANIDA, interest groups, private consultants and even industry, the media, NGOs, researchers etc.

The aid policies and practices of all significant bilateral and multilateral agencies are formulated by relatively few stakeholders in well-institutionalized fora with a mixture of managers, experts and interest group representatives.
These fora are national commissions, which at irregular intervals review aid objectives and strategies, and international permanent institutions such as OECD’s Development Assistance Committee (DAC), the World Bank/IMF’s Development Committee, various UN bodies, EU councils and committees, and programmes like the SPA.

In these fora and in the direct interaction with the core ministries of recipient governments in consultative group meetings, annual aid programme negotiations, etc., the early 1990s have seen a wide degree of consensus on what constitutes good development aid and effective forms of delivery.

This section suggests 10 principles of good and effective development aid. While I attempt to stay within the framework of the current aid policy consensus, I have emphasized the ‘progressive’ elements of this framework. Thus, the 10 principles are founded in the rationale, which sees aid as an important means of development promotion.

**Minimizing the Use of Global Models**

All official policy statements of all donor agencies (with the possible exception of the IMF) put emphasis on country-specificity in the design of aid programmes and the provision of policy advice to developing countries. Still, it took a hard struggle in much of the 1980s by the governments of developing countries and international NGOs to force the Bretton Woods institutions into modifying and adapting their global models of stabilization and structural adjustment. For example, many African countries had to go through three relatively identical phases of reform to achieve financial support from Washington:

**Stage 1:** Stabilisation / agricultural price reform / some external trade liberalisation. This stage of reforms combined an emphasis on restoring key macro-economic balances with the central concern of ‘getting prices right’, enunciated in the original (1981) World Bank credo on Africa’s problems. The latter proposed the use of devaluation to shift rewards to export crop producers, thus providing a platform for ‘accelerated growth’.

**Stage 2:** Internal trade liberalisation / investment promotion / social dimensions of adjustment. This stage of reforms reflects a general change of emphasis by the Bank in the late 1980s, when it acknowledged that ‘prices were only part of the picture’. The delivery of effective services to producers, and a more active policy relation to the entire supply side were also necessary. Recipient governments should now concentrate on the provision of an ‘enabling environment’ for the private sector. Around the same time the World Bank began to promote sector-based adjustment loans in which sector rehabilitation was traded for sector deregulation.

**Stage 3:** Public sector reform, beginning in banking and the civil service, and social expenditure rationalisation. This stage of reforms reflects a change of emphasis in the early- to mid-1990s. For an ‘enabling environment’ to come about, there is a
need for a radical shrinkage in the role of the state. This should enable the state more effectively to concentrate on what should be its mainstream activity: ‘human resource development’. This in turn requires greater planning and prioritisation of government spending.

Stages 2 and 3 were never conceived of as replacements for Stage 1, but rather additions to it. Because of this, there has been a continuous broadening of the reform agenda and an overall movement from a period of clearly macro-economic reform to one of macro-economic and more general institutional reform.

The most frightening trend is that the ‘global model approach’ is now being forcefully applied to in depth sectoral reforms, e.g. of the public sector. It is worth examining this in some detail, because it brings out the need for aid advocates to be constantly alert when development models from the North-West are being globalized, especially in situations where it concerns the very fabric of society. Adjustment programmes until recently aimed at a reduced state and public sector in four respects:

– Removal of central planning and control through the release of markets and enhanced private sector development.

– Reduction of government budget deficits through removal of subsidies, privatization of public enterprises and transfer of public services to private institutions.

– Modernization of the public sector through wage differentiation, decentralization and civil service reform (based on reduction of numbers and functions).

– Liberalization of government-controlled regulation over prices and allocation of foreign exchange and essential commodities.

The weakness of the World Bank’s current public sector reform conceptions is evident in their central assumption that the disappointing results of past support to civil service reform are due to the ‘patrimonial character of the state’. From this follows a top-down ‘governance approach to civil service reform’, which distinguishes among developing countries by putting them on a ‘high’, ‘low’ and ‘in between’ scale of patrimonialism and mechanistically prescribes more or less thoroughgoing westernization as a solution.

The administrative sector adjustments seem to resemble the highly prescriptive ‘off-the-shelf, instant remedy’ approach, which characterized the first generation of adjustment programmes in the early 1980s. An adoption of such programmes would have the consequence of narrowing the way in which three fundamental issues are approached:

– Questions of governance are limited to management issues: effective service delivery; budgetary accountability; and an efficient judiciary.

– Questions of national ownership are focused on government commitment to the implementation of reform packages agreed with external partners.
Questions of political liberalization and the role of civil society are restricted to an emphasis on achieving consensus as a prerequisite for development.

The modernization approach, which implies transfer of a Western model of insulated and autonomous bureaucracy to the state machinery in developing countries, leads to frustration and to manipulation by the strong at the top of recipient bureaucracies and in donor agencies. Civil service reform must be made more appropriate with a combined starting-point in: a) bottom-up real life demands for the services and decisions of the public sector, which differ not only between countries but also between sectors and levels of government in individual countries; and b) the historical and cultural specificity of relations between power and people and between state and civil society in individual countries.

This approach to public sector reform is not yet even in its infancy. It shows the need for progressive donors to challenge the 'hegemony' of the World Bank in aid and development policy formation. This is becoming increasingly important as the Bank is moving further and further away from its original mandate and into issues of socio-political development and state-building, where it has limited capacity.

Respecting and Building National Capacity

The second principle of good development aid is to put a halt to the donor-inflicted undermining of national capacity. Donor-instigated adjustment programmes have contributed to this through financial cuts and ideological attacks on the public sector. But the real culprit is donor insistence on the use of donor- and project-specific procedures in all stages of the project and programme cycles. Donors must reduce their presence—advisers, consultants and short-term missions—in the corridors of government institutions at all levels of society, in particular in the offices of national decision-makers, who are left with little time for their own problem assessment, reflection, priority-setting, planning, implementation support and performance monitoring.

An effective alternative is well-known, and there is no insurmountable excuse for not changing aid procedures in this direction. It requires discipline from donors who must: support the integration of their aid programmes into the recipient’s institutions and procedures, including through un-tied procurement; adhere to national priorities, as expressed in policies and plans; ensure longer-term predictability and transparency in aid flows; and minimize their insistence on donor- and project-specific planning, implementation and review procedures.

Accepting home-grown priorities is difficult for donors. However, it does not preclude policy dialogue between the parties and even donor conditionality (see below). The point is that bilateral and multilateral donors must ensure maximum integration, once there is agreement on objectives. The next step
must be for both parties to ensure that the involved national and local institutions have the required resources and capacity for policy implementation. This requires maximum use of a few essential, but currently underutilized instruments of capacity building.

In the past, capacity building was equated with training, organizational restructuring and blue-print advice provided by resident long-term expatriate experts. More weight is needed on the following instruments to build capacity in the public sector:

- Organization of regular workshops and seminars that involve all relevant bodies in exchange of views on sector- or area-specific problems and possible approaches to their solution; this is well suited for donor financing.
- Analysis of development scenarios leading to policy and strategy options; these analyses should increasingly be made by national researchers, but it may see donors in an active role in cooperation with national institutions as long as the analyses are being used in national policy- and decision-making.
- Provision of flexible financing, tied to the performance of national and local institutions in reaching the overall goals established for them; again this may see donor involvement through flexible aid.
- Support for staff development, including performance-based compensation, without simply duplicating the management theories that still have not proven themselves in Northern bureaucracies.
- Use of advisers and consultants for catalytical tasks, preferably of the ‘short-term recurrent intervention’ type, which allows national and local institutions sufficient time to absorb the advice given—and to disregard much of it.

These modest instruments of capacity building can be used with or without aid. They do not imply donor withdrawal from the corridors of the public sector in developing countries. But they are built on a priority for national capacity and sovereignty, and do not fall prey to simplistic visions of attacking patrimonialism.

**Supporting Programmes Based on Policy and Strategy Dialogue**

The third principle of good development aid requires that the donors support programmes based on genuine dialogue on policies and strategies. Such a framework has been outlined in numerous contexts in recent years. The following list is based on a World Bank paper on future aid to Africa:

1. Most donor-recipient dialogues must focus on national policies, programmes and practices that are sector-wide in scope. Area-wide, multi-sector programmes may also be supported if there are clear national policies and practices of delegation to local bodies.
2. Sectoral policies and programmes must be prepared by local stakeholders. Local ownership must be built in from the beginning, through active participation of local stakeholders in programme preparation.

3. Programme support must comprise all significant donors active in the sector. Aid effectiveness cannot be enhanced unless all donors, and the recipient government, buy into a more coordinated approach.

4. The approach should involve common implementation arrangements. Programme design needs to begin from an assessment of existing institutional capacity, and donors must be willing to accept smaller programmes and lower rates of funding commitments in order to achieve eventually larger and faster sustainable development impacts.

Evidently, the World Bank itself is still quite far from living up to such requirements at country level. The 1994 strategy for Danish development cooperation towards the year 2000 could fit into such an organization of development cooperation, but it would require significant change in country level operations, especially with respect to common implementation arrangements.

**Providing Adequate Resources in Appropriate Forms**

Since the early 1980s, the inflow of external resources to African and other least developed countries has barely compensated for debt payments and losses on international terms of trade. This squeeze has negative effects not only on foreign direct investment, where for example Sub-Saharan Africa has little to expect, but also on local private investment. The economic situation may be somewhat more stable in the post-adjustment period, but it is highly fragile.

The above-discussed emphasis on national capacity and sector programmes as the cornerstones of development cooperation should have significant implications for the future forms of aid transfers:

1. **Capacity building** assistance requires flexible funding, preferably on a grant basis, with a multi-year donor commitment. It requires integrated provision of technical and financial assistance, where the flow of both forms is tied to the needs of the recipient institution and its performance and capacity to use the funds effectively.

2. **Sector programmes** (or area-specific programmes) are a useful mechanism for large-scale financial assistance. They must be supported under a long-term plan, which regulates the size of transfers according to the changing balance between needs and achievements.

3. **Balance of payments support, contingency funds and emergency relief** will still be needed on a short-term basis. However, the aim must be to limit these relative to funding for long-term development cooperation (based on dialogue) under capacity building and sector programme assistance.
4. \textit{Private sector development} requires (in addition to the forms mentioned above) investment guarantee schemes, support to local development finance institutions, technology transfer, and direct capital transfers to private enterprises (depending on the mandate of the donor).

The organization of aid in discrete, donor-specific ‘projects’ as the unifying form of development cooperation must be on its way out. However, in their own aid planning the donors continue to prepare ‘project guidelines and procedures’ that see little or no involvement of those institutions of developing countries that have to carry the activities through and beyond the donor support. This must stop.

\textbf{Reorienting Conditionality to Capacity and Performance}

The use of conditionality by the IMF and the World Bank increased rapidly in the second half of the 1980s and into the early 1990s. As the conditionalities, partly promoted by bilateral donors, extended into political, institutional and social fields, \textit{non-implementation} became the order of the day. At the same time, the scope for sanctions by the donors in response to conditionalities not being met was reduced, partly because donors needed success stories to reflect their insistence on the adjustment model.

A major problem with the adjustment-related conditionality has been its starting-point in short-term measures, on the assumption that stabilization could be achieved independently of structural change. Furthermore, conditionality is biased towards cuts, deregulation and dismantlement, i.e. ‘negative’ interventions, on the assumption that these will lead to a supply response through the release of market forces.

Whether conditionality is justifiable or not, it is time to ‘reverse the order’ so that \textit{existing capacity} and the \textit{requirements of long-term development} are taken as the starting-point for decisions about using conditionality. This suggests four steps:

Firstly, each developing country must have a set of \textit{long-term development objectives} covering the desired shape of society, including the role to be played by public and private sectors, civil society and different social groups. Respect for this would delegitimize external insistence on one development paradigm. It does not necessarily require ‘national consensus’, though equity and social integration must be guaranteed. A \textit{national policy framework} must incorporate strategies linking short- and medium-term measures to long-term objectives. Hence, it requires \textit{policy coherence} on the side of recipient governments.

Secondly, the development objectives and the policy framework should be translated into \textit{national priorities, plans and programmes}, to which donors can relate, and whose implementation can be monitored. Rather than a return to de-funct five-year-plans, a system of medium-term rolling development pro-
grammes is required with budget estimates tied to sector strategies, programmes and projects. Again, policy coherence is called for, not policy orthodoxy.

Thirdly, the capacity of society at large and, in particular, of national and local institutions to implement the above policies and programmes must be assessed and agreed to between donor and recipient prior to any large-scale commitment of donor funds. Capacity includes resources (e.g. the scope for national and local resource mobilization), structure (effective institutions) and competence (people with skills). If capacity is deemed critically insufficient in these respects, donor resources must be phased into the required capacity building, which should be supported separately.

Fourthly, aid funds must be released for both capacity building and implementation. Conditionality should be tied to performance in implementing the agreed programme. This requires ex-post monitoring and a sufficiently long time perspective to give national and local institutions the space for capacity building and implementation. A difficult balance must be struck between sanctions on poor performance on the one hand and long-term donor commitment to capacity building on the other.

Obviously, these suggestions require further reflection, particularly in these regards:

– Is conditionality related to policy coherence and performance more acceptable to recipient governments than the adjustment-related conditionality which is based on policy orthodoxy and short-term prescriptions?

– Conditionality related to policy coherence is insufficient to avoid cases of economic mismanagement on the one hand and of human rights violation on the other. What additional measures are required beyond such conditionality?

– Would poor performance under policy coherence and capacity-related conditionality lead to donor selectivity between countries (i.e. reallocation of aid to ‘better performers’) or mainly between sectors within individual recipient countries?

**Programming Relief for Development: Sustainable Recovery**

The emergence of chronic disasters in many developing countries, in particular but not only in Africa, and the weak sustainability of many relief activities have prompted two types of response from relief and development agencies: More emphasis on disaster preparedness and prevention; and an integration of relief and development programmes, sometimes under the heading of rehabilitation.

I define sustainable recovery as the process through which communities, families and individuals improve their living standards, at least to pre-disaster levels, and at the same time reduce their vulnerability to current and future disasters. Sustainable recovery is the link between relief and development. It starts with survival and ends in a situation and a standard of living that is more
secure than the pre-disaster situation. This very demanding objective implies that sustainable recovery programmes must:

- start at the time of disaster, i.e. during the relief period; and
- finish only when beneficiaries themselves take charge of their development, or other programmes take over through development assistance.

This imposes important demands on relief agencies that move into the ‘grey zone’ between relief and development. Many agencies seem to make one or more of four significant mistakes in their approach to recovery programmes:

- Starting recovery assistance only when the relief period is over;
- Organizing recovery assistance as a separate form of assistance between relief and development;
- Allowing only development agencies and departments to become involved in recovery assistance; and/or
- Seeing recovery assistance as a form of ‘phase-out’ assistance, which allows the relief agency to close its programmes.

All four approaches are legitimate and represent an improvement over the past neglect of the ‘grey zone’. However, they are unlikely to lead to sustainable recovery. Instead, the following principles must be applied:

- Sustainable recovery programmes should have components from all existing programme types: relief, recovery, development, disaster prevention and preparedness;
- Sustainable recovery programmes are best supported by agencies that have a mandate in both disaster relief and development promotion; and
- These agencies must break down possible sharp distinctions between relief and development departments.

Relief programmes aimed at sustainable recovery will normally have to use three programme strategies:

- Support to the delivery of relief services;
- Capacity building in local institutions; and
- Empowerment of the disaster victims and the most vulnerable people.

A major challenge lies in those situations where a sudden disaster, caused by conflicts or natural events, occurs in a disaster prone country with limited indigenous capacity for self-sustaining recovery. This has been the situation in many African countries for several years. In these cases, the relief programme designers should strive to:

- Extend the time framework of the relief programme into the medium-term;
- Incorporate components from both disaster prevention and development programmes that are already being implemented in the country; and
– Apply all three programme delivery strategies (service delivery, capacity building, and empowerment).

Politically, culturally, institutionally and financially there are numerous constraints on achieving such integration of relief and development aid. But there is improved awareness of what ought to be done.

Reforming Aid Coordination

The four forms of development aid, outlined on page 120, require different forms of coordination. Capacity building assistance must be coordinated in and by the recipient institution, whose capacities are being built; this is part of the capacity building itself. Sector programmes must be managed by national line ministries and specialized institutions; coordination with donors should be substantive and take the form of dialogue on national policies, programmes and strategies. Balance of payments support and other forms of ad hoc transfers require macro-economic coordination and ad hoc country-level fora, where the Government should increasingly take the lead. Private sector development should require as little formal coordination as possible.

In general, aid coordination must—gradually—be reformed as follows:

– From externally driven aid coordination, led by the World Bank (occasionally UNDP) and organized outside developing countries in consultative groups and working groups in donor capitals, whose membership is restricted to donors;
– Towards nationally driven aid management, led by core and line ministries of the recipient government and organized as part of regular policy-making, priority-setting, planning, and budgeting procedures of developing country institutions.

There is still a need, however, for international fora for deliberations on development and aid. The significance of, for example, working groups under the SPA must be recognized: They serve to improve the quality of donor approaches in essential fields such as poverty alleviation and public sector reform; they can minimize the burden on recipient governments by weeding out excessive preferences and pet approaches by individual donors; and they can make overall aid more effective by forcing individual donors to find an optimum position in a transparent and accountable division of responsibility (see below).

As regards the Bretton Woods institutions, one encounters a paradox. On the one hand, there is much to be said, in terms of cost-effective use of the significant resources of each donor, for a return to the originally intended division of labour, with IMF in a limited role in relation to short-term financial imbalances, and the World Bank with a broader development role. On the other hand, there are risks in this division of responsibility between the Bank and the Fund. It
took time for the international financial institutions (IFIs) and other donors to begin to realize that a comprehensive approach to reform and development promotion was needed.

The only solution to this paradox seems to be to organize a single macroeconomic and institutional dialogue between recipient governments and all donors, including IMF and the World Bank. In terms of issue coverage and membership, this mechanism could resemble the current consultative group mechanism. In terms of location and leadership (in and by developing countries) the change towards nationally driven aid management would have to be gradual, in response to improved capacity in national institutions.

This raises a significant question: Should each recipient government remain ‘on its own’ in the dialogue with a multitude of donors? Here, two things must be considered. On the one hand, cooperation among recipient governments must be encouraged as a counter-balance to the numerous donor coordination mechanisms. On the other hand, all parties to development cooperation should strive to ensure that the dialogue directly emanates from democratic decision-making bodies in individual developing countries. Hence, further institutionalization and removal of the dialogue from the people who face the most serious problems is likely to lead to bureaucratic decision-making and priority-setting rather than to equity in the dialogue.

**Strengthening the Roles of Individual Donors**

The most cost-effective form of aid coordination is to reach a clear division of responsibility among international development actors in accordance with their comparative advantage. This reduces duplication in operations and minimizes the risk of conflicting approaches promoted by different actors. Following 3-4 decades of international development cooperation, the following use of comparative advantage appears to be the most effective:

*The World Bank:* Macro-economic and structural development programmes, based on global economic and sector work and agreed in a consolidated government/donor dialogue; formulation and financing of sector development programmes, including capacity building components; resource mobilization for large-scale infrastructure development projects, including operations and maintenance (O&M) components.

*The regional development banks:* Structural development programmes, based on knowledge of regional problems and opportunities and formulated within the macro-economic framework agreed in the government/donor dialogue; formulation and financing of selected sector development programmes; large-scale infrastructure development projects, including O&M.

*UN funds and programmes* (UNDP, UNICEF, etc.): Capacity building assistance aimed at improved national and local governance and human develop-
ment; advocacy and support for sector programmes targeted at particular groups (children, marginalized communities and ethnic groups, etc.).

**UN specialized agencies** (FAO, ILO, UNESCO, WHO, etc.): Functioning as international ‘centres of experience and experimentation’ in their respective fields; their operational assistance should be limited to capacity building in specialized institutions and to some experimentation.

**EU and bilateral donors**: A starting-point in political agreements with their respective priority countries and involvement in a mixture of cooperation forms, increasingly provided under national large-scale sector and infrastructure development programmes. These donors must contribute to the overall government/donor dialogue, but can still pursue special priorities on, for example, social sectors, marginalized target groups, local authorities and NGOs.

**International NGOs**: Using several forms of assistance to focus on poverty alleviation, sustainable development, empowerment, and human rights; continuing their simultaneous involvement in relief, recovery, rehabilitation and development; cooperation with civil society in developing countries, preferably within the framework of local governance; and increasing their emphasis on capacity building in local NGOs.

The most controversial element in this division of labour among donors is my insistence that the World Bank and the regional development banks should not try to be pushed into being involved in the implementation of programmes that are socially and institutionally complex, such as the empowerment of women or capacity building for democratic governance at local levels. The development banks lack both the local presence and the intellectual and management capacity to support such programmes effectively. This does not mean, however, that the World Bank should be allowed to neglect such issues in its formulation of policy advice and lending programmes. But stay out of implementation, please.

**Increasing the Accountability of the IFIs**

The governments of developing countries and international NGOs have correctly pointed to inadequate accountability of the IMF and the World Bank. Accountability is primarily a question of ensuring policy coherence also within the IFIs, viz. in the form of correspondence between the numerous progressive and accommodating statements and the practice of programme and project lending. There are three ways to achieve such accountability:

1. Placing the IFIs under the policy direction of economic bodies in the UN. This has been proposed by NGOs and was discussed at the 1995 UN Social Summit. However, it is undoubtedly the least effective approach. It would lead to greater inefficiencies in the overall aid system. The democratic bodies of the UN lack capacity to establish clear priorities and effective policies for the IFIs. Closer links between, for example, the Development Committee of
the IMF/the World Bank on the one hand and the UN’s Economic and Social Council (ECOSOC) on the other would lead only to lip service and useless compromise rather than to coordination and transparency.

2. Making maximum use of the existing governing bodies of the IFIs. Under the catchword of ‘active multilateralism’, Denmark has—laudably—prepared itself for critical monitoring of and influence on the policies of all multilateral institutions, including the IFIs. There are two simple requirements here. Firstly, countries like Denmark must exercise their ownership of the IFIs, to push them in less orthodox directions. Secondly, these ‘like-minded countries’ must consistently support the capacity of the least developed countries to influence IFI policies.

3. Exposing the policies and programmes of IFIs to qualified public debate in recipient countries. Two flaws demonstrate clearly the need for greater IFI accountability at country level. Firstly, structural adjustment programmes took on excessive importance because they were both formulated and received as ‘grand designs’ for societal change. Secondly, discussions on the World Bank’s country assistance strategies do not seek active involvement of recipient countries, apart from a narrow range of top civil servants.

The accountability of the IFIs must be improved, but this can and should primarily take place at the level of individual developing countries. The emphasis on national policy coherence and capacity and on policy and strategy dialogue is the best approach to force the IFIs to be accountable to the users of their resources and advice. Bilateral donors, providing the funds for the World Bank, could and should play essential roles in constantly monitoring the effectiveness of the IFIs. It is inappropriate that the weak UN agencies are more exposed than the strong IFIs to scrutiny and demands by donor countries. The need for transparency and accountability is at least as great in the IFIs.

Removing Policy Incoherence between Aid and Other Relations

A final principle of good development aid concerns the need to remove the glaring contradictions in the overall economic and political relations between donor and recipient countries. These inconsistencies are found under both aid rationales:

1. The rationale, which sees aid as welfare and gap-filling because of its belief in the market forces, obviously clashes with the numerous and selective constraints on international free trade that are imposed on developing countries whenever this suits the industrial countries.

2. The rationale, which sees aid as development promotion, clashes with these limitations on trade and also with all the economic relations subsidized by the North: food aid, investments etc. This rationale also clashes with the use of aid to promote the geo-political and strategic interests of the donor
governments, since these interests are usually unrelated to the development of the most marginalized population groups.

The repeated call for ‘purified aid’ reflects an attempt to ‘live with’ the lack of policy coherence. The power relations are such that integration and coherence tend to lead to the use of aid for the pursuit of short-term commercial and political interests. On the other hand, the inconsistencies are often so destructive that the continuation of separate policies is unacceptable.

AID POLITICS: THE ART OF COMPROMISE AND THE CRAFT OF GOOD DELIVERY

Aid politics has driven the art of compromise to the extreme of jeopardizing the craft of good aid delivery. This is seen in the dilemmas facing the donors when trying to find a position in the clash of two aid rationales: All major donors have compromised themselves into the muddy waters in the middle.

The institutionalized search for compromise in international development cooperation has found its most extreme form in the declarations and plans of action of the UN summits and conferences. Instead of using these platforms as an opportunity to recognize political differences as a foundation for future dialogue and cooperation, the UN has been turned into a linguistic get-together, where government representatives and international bureaucrats collaborate in the cover-up of conflict.

Examining the 10 principles of good development aid, it appears that compromise is often reached at the expense of effectiveness and impact.

Minimizing the use of global models: Country-specific aid formulation is a valid goal, but it is extremely demanding on the donors. The country programmes and strategies of most bilateral and multilateral donors are based on a watered-down version of the World Bank’s country economic and sector work, supplemented with a few pet policies and approaches of the donor in question. This is done partly for capacity reasons, partly in the name of aid coordination. The result tends to be that the government and civil society of the recipient country are not offered clear and alternative development perspectives as a basis for national debate and diversified international cooperation.

Respecting and building national capacity: Showing maximum respect for existing national capacity would evidently lead to more effective aid. However, the intense compromise- and constituency-building, which is required for internal reasons in the donor countries, necessitates the involvement of all home-based stakeholders, who demand a slice of the aid cake. Hence, the continuation of numerous forms of tied aid, despite the widespread acknowledgement that it reduces cost-effectiveness. Similarly, disbursement pressures to appease the vested interests at home prevent aid agencies from giving the necessary time for capacity building assistance.

Supporting programmes based on policy and strategy dialogue: The move from projects to sector programmes as the primary form of development program-
mes makes sense for reasons of effectiveness, sustainability, ownership etc. However, when the stakeholders on the donor and recipient sides meet, there is a risk that they will continue to agree on the need for discrete projects. Two major reasons are the political need for visibility in aid and the practical interest in the employment and income opportunities that are connected with the management of the very complex project cycle.

**Providing adequate resources in appropriate forms:** It is most likely that the compromise emerging from the increased emphasis on capacity building assistance and sector development programmes will be the addition of these aid forms to the already existing, very complex set of instruments used in development cooperation. Development cooperation has a productive history of trial and error, leading to significant innovations over the years. However, there is much less success with the phasing out of outdated forms of cooperation. This is likely to apply today through the continuation of projects in their more traditional forms.

**Reorienting conditionality to capacity and performance:** This reorientation of conditionality is in itself a major form of compromise. If looked at from an effectiveness point of view, it is doubtful that a case can at all be made for conditionality.

**Programming relief for development:** The recent recognition of the existence of a ‘grey zone’ between relief and development immediately led to a positioning struggle among international agencies, especially in the UN. The tradition of consensus-oriented decision-making in international cooperation is likely to lead to a situation, where relief agencies will incorporate development components and hence apply for development funds, whereas development agencies will apply for relief funds to implement their programmes in emergency situations. The result may be duplication rather than innovation through the programming of relief for development.

**Reforming aid coordination:** Transforming aid coordination into aid management by recipients will be very difficult because of the notorious unwillingness especially of the bilateral donors to reduce their insistence on individual priorities and procedures. Instead of building capacity in national institutions to demand and manage the integration of aid into national priorities and procedures, donors may be willing to compromise only on the strengthening of World Bank-led coordination mechanisms. Hence, a sub-optimal solution may be pursued for the sake of compromise.

**Strengthening the roles of individual donors:** Making maximum use of the comparative advantage of different types of donors obviously makes sense. Still, it has not been achieved despite countless negotiations and resolutions in international fora. In fact, there has been a stronger tendency for each donor agency to try to incorporate all the new fashions, issues, themes and sectors that have come up in international development cooperation over the past decades. Furthermore, the progressive donors, erroneously in my view, have constantly pulled all of the multilateral development agencies into fields and forms of aid,
for which these may have neither the mandate nor the capacity. The only solution is that the call for concentration on comparative advantage is made simultaneously by donors and recipients. History does not give much ground for optimism in this direction.

Increasing the accountability of the IFIs: The attempts to make the World Bank and the IMF accountable to the ‘international community’ have so far led to useless compromise on improved dialogue with various intergovernmental UN bodies. The real task of enhancing the public debate in individual developing countries about their lending activities has been given less attention. The progressive donors are not very eager to push the Bretton Woods institutions towards more transparency, because they keep major parts of their aid programming to themselves. A simple and logical demand that all foreign donors must relate their aid strategies and programmes explicitly to the national and sector development policies and strategies of the recipient government cannot even be met.

Removing policy incoherence between aid and other relations: In this field, the gap between policy statements and reality is enormous. Governments, international conferences, regional organizations like the EU have all pledged to ensure policy coherence between aid, trade, investments, political relations, etc. Nothing has happened. On the contrary, aid purification is now being pushed out of fear of the consequences of integration. The only place, where integration was achieved was in the link debt relief / macro-economic reform / aid, where the objective of donor conditionality was to provide developing countries with as little room to manoeuvre as possible.

In conclusion, the art of aid politics consists of a unique combination of:
– beautiful words and undoubtedly the world’s best policies which however bear little resemblance to the burden and tasks facing the intended target group; and
– institutionalized compromise among all stakeholders, nationally in donor and recipient countries, internationally in aid coordination fora, and bilaterally in dialogues on country aid programmes.

This combination produces, in my view, too little real debate in international development cooperation, which might clarify real conflicts of interest. It produces weak accountability, because all actors can claim that there is considerable distance between policy objective and reality and that their individual contribution is the result of compromise.

At the same time, it is in the craft of aid delivery that the scope lies for effectiveness and impact. Given the beautiful policy and the often incomprehensible compromise, the actors involved have considerable room to manoeuvre for operationalization of the 10 principles of good development aid. In so many fields of development aid, the needs are huge, the scope is wide, and the first steps are easy.
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