Part II
Africa

Governance and promotion of human rights in international cooperation

Opa Kapijimpanga, African Forum and Network on Debt and Development, Zimbabwe[1]

The hope for a developed Africa was first shattered by the decline in economic growth during the period 1975 to 1980.[2] Unable to be independently economically viable, Sub-Saharan Africa's relationship with the international community began increasingly to be shaped by development aid.

Despite efforts by the African community to define an economic paradigm and development strategy based on African individual and collective self-reliance, the development agenda for Africa has been dominated by the Bretton Woods institutions — the World Bank and the IMF — and now also by the World Trade Organisation. The structural adjustment programmes (SAPs) that were started in 1980s are still effectively in place today. All the 33 HIPC countries in Africa are subjected to the same conditiona-lities in securing development aid, which includes debt relief. While bilateral donor development assistance is important, its real impact is determined by the IFIs that essentially decide who gets bilateral donor assistance.[3]

This chapter examines international cooperation in relation to issues of governance and the promotion of human rights. Here, the definition of governance assumes that the state has a responsibility assigned to it (or delegated to it) by the electorate. Accordingly, the state and states are responsible for meeting the needs of people individually and collectively. In its relationships with other states, any state has to safeguard the interests of its people without violating the interests of the citizens of other states. Violations of rights are assumed to constitute bad governance at the national and global level.

Key conclusions of this analysis are:

- that the stated commitments of northern states (especially the USA) to democracy and harmony are belied by the way in which they use the IFIs, particularly the WTO, to dominate smaller nations;
- that continued aid conditionality is not only a sign of bad governance, but can also reduce the true impact of aid by undermining governance and people's rights;
- the need for all to focus on achieving the Millennium Development Goals, as a means of promoting human development and respect for human rights, and consolidating good governance norms within international cooperation.

Africa

Definitions

Definitions of governance, and especially good governance, vary widely according to the philosophy and ideology underlying the value system of those defining it. For Africa it is imperative to argue that the State is, and must be, a delegated authority that is expected to act in the interests of the people rather than its own.[4] The inclusion of stakeholders in decision-making processes is a fundamental aspect of good governance. In Africa, basic forms of governance begin from the village level, up to the chieftaincy, and through the district and provincial levels to the national level. Beyond the national level are the sub-regional groupings that form the building blocks of the African Union and are also structures of governance. The most important issue is the extent to which these structures represent and secure, rather than undermine or violate, people's interests.

International cooperation assumes a framework in which states are acting and interacting as equal partners. Where there is inequality, as is the case between the poor and rich nations, some level of good global governance is necessary to maintain equity and to safeguard of the interests of the weaker nations. Good global governance implies a fully functioning multilateral system. The current crisis in multilateralism is exhibited by the dominance of bilateralism — especially the hegemonic behaviour of the United States the negative and undemocratic processes in the WTO, and the disproportionate power of the Washington-based IFIs, which all constitute a source of bad governance at the global level. This also has negative impacts at sub-regional and national level governance where the same patterns reproduce themselves.

Any intention or practice that diminishes the role of state, in its representation of people's interests, would cause tension at the national level and even in international relations. Such tensions can only undermine sustainable development, peace, and security, which are the basis for good governance.

Since the United Nations General Assembly adopted the Universal Declaration of Human Rights in 1948, a series of declarations and covenants have moved beyond the first generation of civil and political rights to broader conception of rights, which assert and protect the inherent dignity of all members of the human family — equal, inalienable rights for all, the right to life, liberty, security of person, health, education, food, clothing, housing, livelihood, self determination, the individual's obligation to all humanity — and provide for agreement that nothing shall justify domination of one people by another. Human beings are at the centre of concerns for sustainable development; all states and all people shall cooperate in the essential task of eradicating poverty. States should cooperate to promote supportive systems leading to sustainable development.

At the Vienna Conference of 1993, the international community established a consensus on the right to development as universal, inalienable and an integral part of fundamental human rights.[5]

The declaration states that, 'Human rights and fundamental freedoms are the birthright of all human beings; their protection and promotion is the first responsibility of government.' Some argue that it is the immediate responsibility of African governments to secure development for their people and that any support for development provided by other states is 'philanthropic' or based on a 'kindness' and welfare approach. But as recognised in the International Covenant on Economic, Social and Cultural Rights (ICESCR), which was adopted in 1966 and entered into force in 1976, every state in the world has a responsibility to support the development of peoples of other states in order to realise their rights. This must be interpreted to mean responsibility beyond borders. This is the essence of development cooperation, which should be defined as 'helping each other to secure the development that is a right for all'.

The 1997 Maastricht Guidelines on violation of Economic, Social and Cultural Rights,[6] are an important indicator of the evolution of the promotion of rights. Some key aspects relevant to the responsibility and the role of the state (and of states in international cooperation) include the following:

a) The State(s) has an obligation to respect, protect and fulfil human rights. Failure to perform any of these obligations constitutes a violation of such rights. Thus, the failure of States to provide for essential primary health care, basic education, essential foodstuffs, basic shelter and housing (to its citizens) may amount to a violation.
b) The scarcity of financial resources does not relieve States of certain minimum obligations in respect of the implementation of economic, social and cultural rights.
c) Rights are violated when a State pursues, or fails to protect its people from, policies that have a negative impact on them.
d) Violations of economic, social and cultural rights can occur through the direct action of States or other entities that are insufficiently regulated by States. Examples of such violations include active support for measures adopted by third parties that are inconsistent with economic, social and cultural rights (SAPs by World Bank and the IMF and the liberalisation Policies under the WTO).
e) The obligation of the state to protect its people includes its responsibility to ensure that private entities or individuals, including transnational corporations over which they must exercise jurisdiction, do not deprive individuals of their economic, social and cultural rights. States are responsible for violations of rights that result from their failure to exercise due diligence in controlling the behaviour of such non-state actors.
f) The State should ensure that violations do not result from the programmes and policies of international organisations of which the State is a member (e.g. The WTO and the International Financial Institutions).

The above considerations show that a rights-based approach to development goes beyond charity and welfare and raises the question of the state's responsibility to its citizens. International human rights law assumes that international cooperation will promote human rights, especially economic, social and cultural rights, including the right to development. The reality of under-development in Africa poses questions about the relationship between development, governance and promotion of human rights as key aspects of international cooperation in a global context.

Aid and the real resource gap

Current estimates put the financial gap between what African countries can raise and what they need to spend on development at some US$64 billion per year.[7] The gap could easily be filled by closing the leakages of financial outflows from Africa. These are estimated at more than US$75 billion, which includes terms of trade losses of over US$60 billion, unpayable illegitimate debt of US$10 billion and barriers to markets of US$5billion

Africa

per year.[8] But the 'gap' continues to provide the rationale for development aid.

Despite the amount of aid coming into Africa, poverty has continued to deepen. As noted in the World Bank World Development report of 2000, [9] 'if all the aid that went to Zambia between 1961 and 1994 had gone into productive investment, and if investment had been as important to growth as initially predicted, the country's per capita income would have been more than $20,000 in 1994, not $600.' The fact is that a majority of the Zambian people have become increasingly poor (per capita income in 1964 was US$1, 000). So the reason for development aid cooperation not being more effective in reducing widespread poverty in Africa remains an important area of investigation.

The desperate need for development aid leads key players in the aid industry to define how such aid is used and what approach is required for poverty eradication. The World Bank and the IMF remain the dominant drivers and gatekeepers of donor policy in Africa. Their assigned position gives them an added role as instruments of governance at the global level, even when this has no legitimacy. They continue to put pressure on African development through their conditionalities, using development aid as a lever to impose the neoliberal paradigm of privatisation, liberalisation and the markets. Under the poverty reduction strategy (PRSP) framework, they impose the same neoliberal framework as under the Poverty Reduction and Growth Facility PRGF). This undermines both people's rights and the sovereignty of the African state — and herefore governance.

Added to the family of the World Bank, the IMF and the OECD donors is the WTO. As innocent as the WTO may be seen in terms of trade, the power relations in the WTO suggest that this intergovernmental institution plays an important role in global governance. Trade has a very strong link to development and therefore development aid. The resource gap that exists is largely due to problems that African countries face in the trade arena. Pressure from the United States on some countries, using development aid as a lever to secure agreement with the WTO, is a clear linkage between the trade agenda and development aid.

Conditionality, rights and governance

Aid conditionality has been widely discussed. Perhaps the best civil society exposure of the conditionality problem is that undertaken by the Structural Adjustment Participatory Review Initiative (SAPRI).[10] Some of the underlying policy impositions that have contributed to African poverty have been identified in the SAPRI process as follows:

a) Trade liberalisation is based on the neoclassical notion that competition from imports leads to specialisation, efficient allocation of resources and the elimination of inefficient producers, thus removing the burden on society of sustaining such entities. In the absence of institutions in Africa to deal with a world trading environment that is grossly uneven, the manipulation of prices by large international monopolies and imperfect competition have substantially contributed to increased poverty. In Zimbabwe, the manufacturing sector was the biggest victim of trade liberalisation. The manufacturing production index showed a decline of more than 20% between 1992 and 1997, resulting in retrenchment of employees and bankruptcy of enterprises. The Zimbabwe Congress of Trade Unions estimated a loss of 20,000 jobs, mainly in the textile sector, which could not compete with cheaper imports.[11] A similar fate befell the workers in the electronics industry. It is important to remind ourselves that retrenchment and loss of jobs is a violation of rights. The state has not intervened, thus directly contributing to loss of a right. The creators of the policy — the World Bank and especially the IMF — do not take responsibility but, in reality, they are the fundamental cause of the loss of the right to work!

b) Financial sector liberalisation continues to have the following consequences:

The withdrawal of the state from the financial sector has reinforced structural weaknesses in many African states and regions. In Zimbabwe, liberalisation of interest rates caused an upswing in interest rates throughout the 1990s, increasing fivefold to 50% and making it impossible for small producers to access finance. The increase also led, among other things, to diversion of investments from productive sectors to speculative activities where returns were more than 30%. This has worked against employment creation.

Removal of government controls has been interpreted to mean a weakening of the state itself as an institution. As noted under governance, a weakened state generally plays a negative role as a delegated authority for ensuring that the interests of its citizens are met. In this regard, one can see the existence of a liberalisation policy that stifles increased job creation as bad practice in governance!

But despite the many arguments against conditionality, the conditions attached to multilateral lending and development assistance from bilateral donors have intensified. It becomes increasingly possible that there is a hidden agenda for those who propagate the conditionalities. The so-called economic reforms that are the key elements of the conditionality regime are designed to meet the interests of those that propagate them. Judged by the governance and human rights criteria, international cooperation based on conditionality does not meet the minimum standards for governance and promotion of human rights.

As is already well known, the Bank and the Fund started to impose structural adjustment policies on countries in 1980 following the World Bank Berg Report[12]; these were further intensified following the 1989 Report, 'Sub-Sahara Africa; from crisis to sustainable development'[13]. Under the current environment of HIPC and poverty reduction strategies, policy conditionalities continue to be imposed. The Bank and the Fund continue to propagate their notion that strengthening the use of policy conditionality in lending is an important element in the efforts to improve aid effectiveness.[14]

c) Impact on labour:

The impact of adjustment on labour market policy springs from the notion that employment will be attracted by fewer regulations concerning labour stability and firing practices, greater flexibility in labour conditions, lower labour costs and reduced ability of the workers to organise. Labour liberalisation in Zimbabwe actually resulted in a violation of rights, because labour no longer had the right to organise into a strong trade union. Employers resorted to short contracts to lower the costs of labour by not paying various benefits associated with permanent labour. After signing its first stabilisation agreement with the IMF in 1983, the Zimbabwean government immediately abandoned the relatively high minimum wage established soon after independence in 1980. By 1995, the Labour Relations Act had been reformed, making the workers vulnerable, reducing the real wages and minimising rights to safe and secure employment.

In 2000, the failure of the Zambian government to pay a minimum monthly wage of K200, 000 (well below the poverty line) was largely because the IMF did not approve it![15]

d) Civil society in Nigeria has openly complained that privatisation actually leads to 'giving away' African assets.[16] While it is true that in many African countries, state enterprises do not perform well, this is due to problems for which privatisation is now seen as the answer. In Uganda, for example, past performance had been due to the country's violent political reality. In more recent times, the reasons have included the lack of foreign currency and political interference.[17] Perhaps the most important political reason for privatisation being disliked in Africa is that, generally, the beneficiaries of privatisation are foreigners. In Uganda, foreigners took over 75% of the privatised assets, thus enriching a few transnational and large companies and not the people of Uganda. This is seen as 'legalised robbery'[18]. This explains the resistance to the privatisation of the electricity and telecommunications companies in Zambia. The Zambian government has argued that Zambian society has invested far more that they will regain through privatisation of these assets. The IMF will most likely be persuaded to accept partial commercialisation of these enterprises, in the ongoing negotiations for Zambia reaching the HIPC completion point. The Zambian government's resilience over the issue was because they found out that the World Bank's insistence on the privatisation of the telephone company was to safeguard the interests of its sister institution, the International Finance Company (IFC) in Celtel, which was interested in taking a major stake in the local telephone company.[19]

In order to bridge the gap between what the Bank and the Fund purport to support and what they do in reality, their work should be assessed in accordance with human rights criteria in the field of economic rights, since they are economic institutions. This will then address the contradiction that is shown in their call for pro-poor policies. Pro-poor policies must fulfil the human rights criteria and enhance good governance.

Poverty Reduction Strategies and the conditionality regime

Poverty reduction has correctly taken centre stage in the development discourse because getting rid of poverty is good practice in governance and promotion of human rights. From the experiences of ten African countries studied by AFRODAD,[20] key issues emerged related to governance and rights:

- In line with the African Charter for Popular Participation,[21] PRSPs provide an opportunity for civil society to bring up microeconomic issues and good practices for effective poverty reduction. These microeconomic realities should be used by governments to inform macro-economic policies that will enhance economic development, which is a human right.
- Concepts of participation were notably different for the civil society and government led consultation processes. While government appointed people who spoke on behalf of 'the poor' countrywide, civil society organisations provided space for people in poverty to speak for themselves. The two approaches need to be integrated because they are strategically important for giving people in poverty real opportunities to participate in policy formulation for poverty reduction. This is good practice for good governance.
- After local representative or governance structures (village headmen and chiefs), parliaments are the first institutionalised forms of popular representation or governance. Parliamentarians must

of necessity participate in the whole PRSP process. Only in Burkina Faso and Mauritania did parliamentarians really participate effectively in the process. Their exclusion in most other African countries is an indicator of centralised power and decision making, which undermine national ownership of the PRSP process.

- People's participation means that governments should not ignore the reality they bring up for discussion. For most African countries in the study, PRSP documents do not reflect civil society perspectives and inputs in any meaningful way. Not taking civil society views seriously can only make civil society 'participation' a deceitful act on the part of those who ignore civil society inputs.

While PRSPs appear to be rather innocuous documents, they are potentially instruments for strengthening civil society participation in policy analysis and strengthening the linkage between on-going government planning (national plans and visions) and implementation processes such as budgetary systems. PRSPs should orient policies and activities towards poverty reduction. They should offer a framework for coordinating development assistance and most of all, strengthening national ownership of processes and planning towards eradicating poverty.

Experience has shown, however, that PRSP linkage with development aid and debt relief poses a serious problem for Africa. AFRODAD studies show examples of how the macroeconomic framework of the IMF and the World Bank were imposed on the PRSPs. When these issues are actually excluded from debate and analysis, PRSPs cannot be reshaped at the level of macroeconomic policy. Thus the link between PRSPs and SAPs is through the imposition of the SAP neoliberal macro-economic framework. A few examples:

In Tanzania, the enhanced HIPC matrix has about 30 neoliberal conditionalities. Of these 25 are from the IMF's Poverty Reduction and Growth Facility (PRGF) document and only 5 from the PRSP. Given that PRGF arrangement had been reached in January 2000, while the PRSP was only endorsed by the IMF and World Bank Boards in October 2000, the implementation of neoliberal policies obviously takes precedence over implementation and monitoring of poverty reduction policies. Furthermore, some bilateral donors cancelled Tanzania's debt on condition that Tanzania did not go off track on its obligations to the PRGF.

Donor resumption of development assistance for Kenya's PRSP was based on conditionalities outside of the PRSP process. Critical assessment and criticisms of neoliberal policies, which were raised at national and district level consultations with civil society, were excluded from the final PRSP document. This confirms that the PRGF and its framework have been imposed on poverty reduction efforts in Kenya. But, more importantly, it is the PRGF, and not the PRSP, document that defines support.

In spite of civil society submissions, the macroeconomic focus of the Malawi PRSP was on the so-called macroeconomic stability through reduction of budget deficits, deregulation, and privatisation. All of these measures cause contraction of the economy and job losses, thereby increasing poverty. The macroeconomic language in the PRSP is the same as that of the conventional IMF SAP prescriptions.

Two conclusions emerge. The first is that the PRGF and the donor conditionalities based on PRGF conditionalities must be delinked from HIPC and Development

Cooperation. The second is that PRGFs must be shown to bring about good governance and the promotion of human rights.

Institutional linkages: The WTO example

African countries have a keen interest in fully participating in the multilateral global trading system. They see the potential of trade as an engine of growth that will increase incomes and accordingly liberate them from dependency on development aid, whose conditionalities have undermined their governance by failing to provide development.

However, when the South Africans point out that '…thousands of workers lose their jobs as textile and clothing factories close down because of massive tariff cuts; three million South Africans infected with HIV/AIDS continue to die because they cannot afford treatment; disease and violence spiral in Paarl communities after a fruit canning factory closes down because it can no longer compete with subsidised European canned fruit…', one begins to understand that the role of the WTO, and its impact on people's rights and governance can be substantial.[22]

It seems that the WTO works in league with the IFIs. Both the World Bank and the IMF ensure that African countries observe conditions in line with the ideological thrust of the WTO. While trade liberalisation is the agenda of the WTO, it is the World Bank and the IMF conditionalities that are the forerunners. Many African countries have experienced this. Under the poverty reduction strategies, for example, the World Bank insisted that Uganda privatise and liberalise. Uganda 'agreed' on the understanding that regulations would follow. But the reality is that, under the WTO, liberalisation and privatisation must come without any form of regulation![23].

Within the WTO, powerful countries have pushed developed countries to provide for unregulated capital flows, unregulated privatisation, reduction of tariff barriers and import duties. But the developed countries maintain their protection against product and capital movement into their countries from the developing countries. On the one hand, they urge developing countries to reduce and remove their subsidies on agricultural products and to remove any barriers for developed countries' products. On the other hand, the developed countries heavily subsidise their agriculture and impose limits to the import of agricultural products from the developing countries.

The marginalisation of African developing countries in the WTO is an area of serious concern that goes beyond global governance and amounts to domination, which violates the African Charter on Human and People's Rights and undermines African governance. Undemocratic behaviour by the governments of powerful members of the WTO, mainly the G7 countries, is at odds with the rhetoric on enhancing good governance in developing countries. More importantly, it does not build trust, peace and harmony between peoples of the developed countries and those of the developing countries. This reality undermines global peace and security, which is an important human right for all.

Rights and the implementation of the Millennium Development Goals

In 1995, the Copenhagen World Social Summit resulted in commitments to:

- eradicate poverty;
- promote social integration by fostering societies based on promotion and protection of human rights;
- accelerate the economic, social and human resource development of Africa and the least developed countries.

The 2000 Millennium Declaration reaffirmed the collective responsibility of all governments to uphold human dignity, equality and equity at the global level. Governments, individually and collectively, endorsed the Millennium Development Goals (MDGs).[24]

The 2002 United Nations International Conference on Financing for Development, held in Monterrey, Mexico,[25] saw financing for development as a global challenge. The Monterrey Consensus spoke, among other things, of the need to enhance the coherence and consistency of international monetary, financial and trading systems, in support of development. The Conference resolved to promote the democratisation of global governance. It said that development assistance should support recipient countries' national strategies and should be untied.

The MDGs and Monterrey Consensus are consistent with meeting all aspects of human rights, particularly the right to development and to all economic, cultural, social, civil and political rights. The MDGs form the most critical pillar on which to build international relationships. But meeting the MDGs may require a very clear 'post neoliberalism' era, in which policies that work for eradicating poverty will be an integral part of global reality.[26] Neoliberal policies, on which the current reality hinges and which define current international cooperation, have failed to spur economic growth and to reduce poverty. Thus a set of new policies is required. These include:

- A move towards multilateralism as a form of governance at the global level.
- With respect to Africa: the immediate establishment of the Development Forum suggested in the NEPAD, as a basis for common positioning and as a framework in which the African Union and the OECD DAC could engage in meaningful negotiations on development aid.
- Bringing IMF, World Bank and the WTO increasingly under more democratic control — accountable to the United Nations.
- The power of the WTO must be reduced.[27] UNCTAD must be made to play a key role, especially on behalf of the developing countries, as has been suggested in the follow-up to the Monterrey process. Furthermore, there is a need to bring the WTO into the United Nations system to improve coherence.[28] This should stop the bad governance practices we see in the WTO in the form of powerful governments twisting the arms of poorer nations.[29]
- The Maastricht Guidelines on Rights could again be put on the development agenda, as a framework within which to cast development aid and international relationships.

Africa

Notes

[1] Opa Kapijimpanga is Chairman of the African Forum and Network on Debt and Development, based in Harare, Zimbabwe.

[2] UN ECA African Alternative Framework to Structural Adjustment and Transformation

[3] Zambia's failure to meet IFI conditionalities always results in bilateral donors withholding assistance. There is an effort by some progressive donors such as Denmark to move away from this practice.

[4] See Opa Kapijimpanga, 2001; may be obtained from opa@zamtel.zm

[5] The Vienna Declaration and Programme of Action, adopted by the UN World Conference on Human Rights, 1993.

[6] On the 10th anniversary of the Limburg Principles on the implementation of the International Covenant on Economic, Social and Cultural Rights a group of more that thirty six experts met in Maastricht from 22 to 26 January 1997 at the invitation of the International Commission of Jurists and others to elaborate further on the nature and scope of violations of rights and appropriate remedies. Details on the Limburg Principles can be found at http://ww.uu.nl/content/20-10.pdf

[7] African Union NEPAD Implementation Committee estimate presented to the G8 Kananaskas meeting of 2002.

[8] Unpublished AFRODAD 2003 research.

[9] World Bank (2000) World Development Report 2000/2001 'Attacking Poverty', World Bank, pg.192.

[10] See www.saprin.org in particular the Report: The Policy Roots of Economic crisis and Poverty. Country specific reports are themselves interesting material.

[11] SAPRIN, The Policy Roots of Economic crisis and Poverty page. 50

[12] Long term Development in Sub-Sahara Africa; World Bank 1979.

[13] As a counter to the African Alternative Framework to Structural Adjustment. See also Opa Kapijimpanga Background material for the Public Hearing inn the European parliament, Brussels, October 1999.

[14] See Global Development Finance, Financing the Poorest countries, The World Bank, 2002 (Analysis and Summary of Tables p. 101

[15] See Pete Henriot, *Does Zambia need the IMF?* JCTR, Lusaka, 2000.

[16] AFRODAD Reality of Aid West Africa Report, 2003.

[17] ibid

[18] ibid, p101

[19] Unfortunately it is not possible to disclose the credible source of this information.

[20] Burkina Faso, Ghana, Kenya, Malawi, Mauritania, Mozambique, Rwanda, Tanzania, Uganda and Zambia

[21] "...at the heart of Africa's development must lie the ultimate and overriding goal of human centered development that ensures the overall well-being of the people through sustained improvement in their living standards and the full and effective participation of the people in charting their development policies, programmes and processes and contributing to their realization." African Charter for Popular Participation (UN-ECA, 1990 p.18),

[22] See the brochure produced on the WTO by Campaign Against Neoliberalism, Group for Environmental Monitoring, Treatment Action Campaign, International Labour Resource Information group, Institute for Global Dialogue, Moteho Integrity Consultants Representing Africa Trade Network, Alternative Information and Development Center, South African Municipal Workers Union, and the Oxfam GB South Africa Policy and Communications Office, This pamphlet was produced before the Third Ministerial Meeting in Seattle in 1998

[23] Warren Nyamugasira

[24] UN General Assembly resolution of 18 September 2000.

[25] See the report at www.un/esa/ffd/aconf198-11.pdf

[26] See various arguments presented in "After Neoliberalism: Economic Policies that Work for the Poor" A collection of papers presented at a Conference on Alternatives to Neoliberalism, May 23-24 in Washington DC. See www.new-rules.org

[27] See also arguments by Didier Jacobs in Democratizing Global Economic Governance, in After Neoliberalism, Economic Policies that work for the Poor.

[28] Paragraph 16, page 68 of Monterrey report — trade must be an engine of development and not otherwise.

[29] Aleen Kwa

Re-thinking aid: development cooperation in a multilateral crisis

Edward Oyugi, African Forum and Network on Debt and Development (AFRODAD)

To understand development cooperation in Africa, we have to address a number of questions:

What are the roots of the suffering and disadvantage that have turned the entire African continent into an object of worldwide sympathy and sometimes philanthropy, in the form of development cooperation?

Does Africa need aid? If it does, where should the aid come from?

Which aspects of our distress should such aid address?

In what modalities should such aid be delivered?

What development policy environment is appropriate for what kind of assistance?

Who should determine what assistance is needed — and in what quantities?

A content analysis of public discourses in the African media and other channels of communication reveal that the use of development cooperation-related expressions is disturbingly frequent. Development assistance, donors, aid, FDI, debt — you name it — appear more frequently in discourses than sovereignty or self-transformation-related expressions such as: patriotism, self-reliance, autonomy. And even when such purportedly neutral concepts as globalisation, good governance, development and trade appear, behind them seem to lurk connotations of development assistance relationships.

Why? Because, for many years now, little has been done in the way of addressing any aspect of economic development in Africa, beyond its ineluctable relationship with foreign aid, and many other forms of involvement by external forces.

Development assistance is treated here as a relationship between those offering assistance in some form or another — the 'aid givers' — and those receiving assistance — the 'recipients'. The donors may be individuals, NGOs or official bilateral or multilateral development agencies. In this relationship, the assumed goal is transformation towards autonomous and self-driven development — whatever development may mean for each of the above actors — on the part of the receiving party. But at the heart of this relationship is a paradox, which presents an intractable challenge, with far-reaching implications for the future of Africa's economic development.

This paradox can be traced to point four of President Truman's 1949 'Bold New Program', which is generally acknowledged as the starting point of modern development cooperation. In this declaration, Truman pledged, in the spirit of the Truman Doctrine of the 'struggle between democracy and dictatorship', to make the benefits of US

Africa

scientific advances and industrial progress available for the improvement and economic growth of underdeveloped areas of the world.[1]

Whereas this declaration may not have marked the beginning of many forms of bi- and multilateral development cooperation, it does illustrate the considerations that informed their origins, theory and practice. Common to the Cold War strategic justifications for aid, and neo-colonial hegemonic schemes, is the primacy of a political notion that old and new ties could be sustained and rearticulated in new strategic frameworks and operational modalities of domination in the guise of development cooperation. The Commonwealth, EU-ACP, and NEPAD to some degree, fit this analysis.

Historical and motivational context of aid

In the post Second World War era of the 1960s, 1970s, and a large part of 1980s, much assistance was given to the developing economies in order to maintain politically acceptable regimes and to ensure the continued supply of the natural resources that many underdeveloped economies produced or were capable of producing. The mortal fear of the emerging hegemonic forces in America and, to a lesser extent Europe, was of some developing countries ideologically gravitating to the Soviet Union and thereby swelling the *dangerous* ranks of the socialist nations and the communist threat. This motivated considerable foreign aid from the West. In the same manner, but more particularly in a bid to expand its ideological influence in the newly independent countries, the Soviet Union also provided development assistance.

This was the initial ideological and, therefore, motivational context, within which aid began to distort the natural development and ideological orientation of African economies and societies.

Following the collapse of the Soviet Union and the emergence of the United States as the hegemonic centre of world capitalism, the theory and practice of development cooperation have experienced a significant strategic shift within a new world order, structured around triumphant capitalism.

Under the reign of the Washington Consensus, as driven by fundamentalist market forces, particularly during the unchallenged ascendancy of neoliberal orthodoxy, development aid became aggressively conditional upon good governance, as defined by the Washington-based multilateral financial institutions. Structural Adjustment Programmes (SAPs) provided the mould into which foreign aid transactions had to fit. Many developing economies not only stagnated, but even regressed as a result of subjecting the planning and management of their economies to the conditionalities of SAPs.

Faced with mounting intellectual revolt (from within and outside the West) and the negative economic signals from poorly performing Third World economies, a post-Washington consensus strategic retreat became necessary. Its necessity largely rested on the growing intellectual resolve to question and challenge some of the underlying theoretical assumptions and their practical implications. With stealth and tact, a new strategic framework for development cooperation was designed to accommodate new patterns of capitalist domination of the African economies. Poverty Reduction Strategy Papers (PRSP), the New Partnership for African Development (NEPAD), EU-ACP frameworks, the Multilateral Agreement on Investment (MAI), and a handful of strategically complementary bilateral and multilateral development cooperation frameworks have been designed to address the steady erosion of confidence in Western development assistance modalities. Central to the Post-Washington consensus is the purported devolution of ownership of the development agenda to recipients, based on the elusive imperative of *subsidiarity*. The reality is, however, different. Subsidiarity principles, as far as development cooperation is concerned, have remained a clever feint, if not dishonest rhetoric, the practical result of which has been to confer on local actors a false feeling of domestic control over development policy. In reality, these actors have absolutely nothing to do with the thinking and direction of economic development. They have a long way to go before reclaiming their stake in influencing what development should mean to them.

Development cooperation, like any encounter between social systems, is a complex phenomenon. It is also problematic. The fact that it brings local actors and their institutions together with outsiders and their understanding of development, and the very problematic notion that outsiders may pretend to plan a community's future, is more than indicative of the differential power relation in the encounter. The imbalance in power relations cannot provide a basis for the resolution of conflicts between the goals, rationales and conditionalities of outsiders, and the destiny and culture of the communities.

The tension between development cooperation and economic development in recipient economies remains a reality that is difficult to tackle. The beginning of what may turn out to be a solution is radical politics, which aim to challenge the characteristics of power distribution among the principal actors. The onus is on the politically conscious actors in recipient economies to stand up and keep their political-economic interest alive. The strategic objective should be to work towards transforming the sites of encounter into democratic spaces, or assemblages of institutions[2] and actors, with the real capacity to decide and intervene, particularly if it happens that the outcomes of decision making fall outside the interests of some powerful groups in the encounter.

Multilateral crisis: a challenge for development cooperation or an anathema?

Multilateralism has had its ups and downs in the long history of international and intergovernmental relations. This is normal, particularly given the wide range of national and ideological interests — some contradictory and others congruent — that are supposed to be subordinated to a multilateral process. With the Washington Consensus, as the chief architect of a new world order, multilateralism became the first institutional casualty.

Assaults on multilateralism were unleashed from several angles. The UN was downgraded in respect of its capacity to regulate international relations in the interest of sustainable peace. The Washington-based multilateral agencies had their milk teeth removed and much sharper and stronger ones allowed to grow in their places, (ready for biting into the delicate territories of national sovereignty through development aid conditionalities). The WTO got turned into a Trojan horse, through which weaker economies were to be re-colonised by Western corporate interests. The MAI was designed to tame and prime Southern economies for domination by Western private sector interests. And then came the terrorist attack on the citadel of finance capital, increasing potential for a multilateral crisis. The mothballing of the MAI process, the Iraq war, the Cancun stalemate, the 'Development Cooperation

Africa

Lens on Terrorism Prevention — Key entry Points and Actions'[3] and a few other sites of international strife point to the beginnings of this multilateral crisis. From the perspective of the need for coherence and harmonisation regarding development cooperation, there is a real risk that development aid may soon become simply an instrument of geopolitical and military interests, addressing domestic security agendas with neither multilateral nor bilateral concerns.

The World Bank proposal for a Comprehensive Development Framework (CDF), intended to reform the entire development assistance system, has generated more discussion than solutions to the age-old challenges of coherence and harmonisation of development efforts. Initially, the proposal was greeted with a lot of enthusiasm, given that its ostensible aim was to ensure a coordinated response by donors and creditors to development priorities, as identified by borrowing governments and their citizens. Such priorities were to be enshrined in a single development framework for each borrower, to which donors and creditors would be accountable.

The multilateral processes intended to anchor the implementation of this proposal took off, under the debilitating shadow of globalisation and allied neoliberal strategies but have yet to fly. The MAI got spiked before it could be foisted onto the developing countries. That its ideological substance had already insinuated itself into other seemingly unconnected multilateral processes and agreements, such as WTO negotiations and the EU-ACP agreement, has not come as a surprise. Sooner rather than later, there will be no reason to fob it off on African governments. Its strategic functions will have been taken over by other multilateral agreements.

All that has been said seems to point to the cementing of the union between aid and politics. Rather than the authority of metropolitan states being eroded or marginalised by the apparent proliferation of private actors, it is prudent to remain alert to the possibility that such strategies are simply a reworking 'of international power and its projection through non-territorial networks and private systems calculation.'[4] This is why development aid, including humanitarian assistance, can no longer be left to bilateral 'anarchy'. It must not only be coherent and targeted, first and foremost it has be effective. The question still remains: effective for whom?

Aid effectiveness: what has not been, but ought to be, done

Issues concerning the effectiveness of aid in promoting development in Africa are moving to the centre of development discourse. At the same time, they are beginning to crowd out the optimism that greeted and justified external aid for the better part of the last century.

There are two major reasons for the recent apparent prominence of the aid effectiveness problematic. In the first place, the end of the Cold War era has removed one of the most important justifications for development cooperation: there is no ideological popularity contest in the era of a uni-polar world order. Second, foreign aid and development assistance are gaining a bad reputation, on account of their not showing any capacity to reduce poverty, even in economies that have attracted the largest share of foreign assistance. A few face-saving caveats have been put forward to dilute the impact of the misgivings about aid. The first caveat argues that it is unfair to judge foreign aid on its developmental effectiveness, where the post-Cold War aid environment and motivation are still not in favour of real economic development, but are serving other interests.

The truth of the matter is that the African economies are worse off now, than before they began to attract foreign aid. Poverty is increasing everywhere in Africa, despite increased inflows of external resources.

Do we really need to waste paper and ink recounting the many observations that have confirmed that foreign aid — the way it is being delivered and managed — has not had any positive effect on the African economies? No. But we must not only know what is wrong with foreign aid, we must also begin to say what to do about it.

If foreign aid had had any anti-poverty effect on recipient economies, the level of budget support to Uganda and Tanzania would have put these two countries among not only the fastest growing economies,[5] but also those with the highest per capita income[6]. Despite all the plutocracy to which Moi's government subjected the Kenyan economy, Kenya was able to withstand donor withdrawal of multilateral assistance for close on two decades, without bringing the economy to its knees. Instead, the Kenyan economy was turned into an agitated oyster, whose capacity to produce pearls — not high quality ones but pearls all the same — was ironically enhanced. This lesson from Kenya should be a good one for the rest of Africa. The lesson is that real development can only come from local efforts and resources, put to prudent use by an effective government, with the effective participation of local subjects. The practice of donors throwing money, projects, and external know-how at problems in the South will not bring the desired changes in the lives of the affected populations.

Development assistance based on solidarity, and not on spurious notion of vaguely defined partnership, must build on a country's historical and cultural circumstances, and must involve a fundamental societal transformation process that money and projects alone can neither stimulate nor sustain. Hence it is of critical importance that development aid, if it is needed at all, must be seen as enhancing the ability of countries and local institutions. In summary: countries need social capital to manage development on their own and in a sustainable way.

Foreign aid to Africa has acted like a storm gathering away from the rains. In many cases, the storm has ended up destroying social infrastructure, without boosting the economy. The theory and practice of foreign aid points to a power system that is not keen to provide the people of Africa with practical tools for mastering basic life challenges and innovative ways to navigate the road of life, on the basis of their capacity to control their own destiny, regardless of its global worth.

This is not to belittle the importance of external assistance. The point to underscore is that development aid can only make a difference to the lives of recipients, when it is made to stimulate local capacities within a policy framework negotiated between the local social groups. Development must not be taken out of the hands of power sites in the global North merely to be directed to locations of mimicry and mediocrity in the South. Macroeconomic policy that creates development policy frameworks needs to be anchored in social dialogue among the local stakeholders, not dictated by aid givers.

Instead of the present practice of foreign development assistance that has left continental economies worse off than before, Africa needs a strong, democratic and affirmative state sector that can effectively restore government sponsorship of labour as the source of all forms of wealth and development. Africa needs a New Deal with its people and their labour-intensive capacities, which are required to lay the foundations of an economic take-off. Donor 'replacement therapies', such as free trade relations, promoting Foreign Direct Investment (FDI), and private sector leadership in the economy, can only be effective when matched to an economy that has available power, adequate road length per capita, and clean water for everybody. A growth accounting system that emphasises the well-being of a few people in the urban centres is not enough. Just linking aid to increased FDI inflows misses the point. The direct benefits of FDI are mainly intended for the parent economy. Relying on FDI flows as an aspect of aid, particularly in the era of mobile, speculative capital, hunting for captive labour in the global economy (where 'democratisation' has severely hampered the capacity of nation states, and where the purported allocative efficiency of the market has been severely compromised by wanton deregulation) is beginning to prove unworkable.

The pattern of foreign aid disbursement has clearly shown that more aid flows into economies where aid itself has caused the heaviest debt burden — thus increasing the need for economic relief.

Before aid became the basis of economic planning in Africa, it had been theoretically designed merely to help cover any shortfalls in the earning sectors of the receiving economies. It thus helped the growing economies of the newly independent African countries acquire the necessary scarce, but badly needed, foreign exchange. At that time there was an appreciable and logical relationship, between local resource gaps and foreign aid. Since aid has become the most critical input in our public expenditure, the level of distortion it generates in the African national economies is increasingly spiralling out of control and can, therefore, no longer be wished away. When sponsors of NEPAD, for instance, came up with US$ 64 billion [7] as the amount required to finance its implementation, it was not, and has not since been, clarified whether the figure reflects a continental resource gap, against which foreign aid needs to be sought, or is just an arbitrary figure that should enable African economies to make a difference in the lives of the African people. This magic figure is yet to be disaggregated against specific development needs of the continent, as prioritised by its own people. But even if that were to be done, many questions would remain.

Some of the critical questions would be: What is NEPAD's agenda on debt relief? Unlike the Marshal Plan, the implementation of which was placed under the coordination of a multilateral agency — the Organization for European Economic Cooperation (OEEC), NEPAD's connection with the African Union is still problematic. Given that the proposed regional planning and management approach has yet to determine a definite strategic and institutional framework, many Africans are left wondering which multilateral African platform will be used to negotiate with either the OECD or the G8! Is NEPAD's vision of democracy defined by the people's need for social development, or by the requirements of creating a functional market as a space and mechanism for misallocation of national resources? Does neoliberal economic policy provide the framework within which NEPAD-generated resources will be put to use?

Mobilising domestic financial and human resources

The question of mobilising and retaining domestic financial resources has been on the agenda for some time. Increased liberalisation in the financial sector has made the discussion of the necessary challenges even more urgent. Responses to the challenges have been heavily influenced by donor conditionalities, which have demanded more and more liberalisation. Alternative responses have been excluded from any discourse aimed at finding solutions, owing to the heavy hand of an increasingly manipulative, and occasionally totalitarian, multilateral environment.

The open nature, and excessive external dependency of African economies, has led to the disproportionate outflow of resources from the African continent. This has happened in varying degrees on the basis of:

- unfavourable terms of trade
- debt repayment burden
- capital flight
- profit repatriation and corruption
- transfer account procedures.

For example, capital flight from highly indebted poor economies of sub-Saharan Africa amounted to nearly half of the estimated external resource requirement.[8]

A significant proportion of domestic savings, which should be the primary source of investment financing, has been lost through capital flight, adversely affecting even some promising economies, such as Kenya, that have enjoyed high savings/GDP ratios.

With the adoption of free market policies, which have exposed African economies to the vagaries of liberalisation, and with African governments abandoning their traditional role of controlling interest rates, regulating credit and capital flows, and putting in place relevant institutional practices, African economies have been subjected to competition for which they are ill-equipped.

Against this unfavourable background, we need to engage in the affirmative action necessary to build domestic economies, particularly where globalisation is breaking down the defence mechanism required for building strategic frameworks for national economic agendas. Above all, this means that we, in Africa, must increasingly engage in selective liberalisation of the economy and push our ‘wheelbarrows upside-down’[9] if our economies are to grow. Globalisation must be more of a choice than an inevitability.

Africa

Notes

[1] Quoted in: Ruttan, V.W 1996, *United States Development of Assistance Policy: The Domestic Politics of Economic Aid*, Baltimore, John Hopkins University Press.

[2] Riberio G Lins, 2002, in *Capacity for Development — New Solutions Old Problems*, edited by Sakiko Fukuda Parr, CARLOS lopes and Khalid Malik, UNDP.

[3] Refers to Development Assistance Committee's policy statement and reference document released by a high level meeting of the DAC in April 2003 and endorsed by the Organisation for Economic Cooperation and Development (OECD).

[4] Duffield Mark, 2001, Governing the Borderlands: Decoding the Power of Aid, in a paper presented at a Seminar on: Politics and Humanitarian Aid: Debates, Dilemmas and Discussions, Commonwealth Institute, London.

[5] Measured by dubious statistics that hardly translate into poverty reduction.

[6] Measured in terms of how many Ugandans are graduating from object poverty to better conditions of life.

[7] The New Partnership for African Development 2002, Pretoria, South Africa.

[8] Ajayi, S.I (1997), 'An Analysis of External Debt and Capital Flight in the Heavily Indebted poor countries of Sub-Saharan Africa'; in Zubair Iqbal and Ravi Kanbur, 1997, *External Finance for Law Income Countries*. IMF.

[9] Referring to a legendary Londoner who, because of mental illness, had made a fetish of pushing a wheelbarrow along the London Street. At the end of day he would be trundling his wheelbarrow home, extremely tired, his wheelbarrow full of all sorts of rubbish that Londoners had thrown into his vehicle on account of his mental condition. After many years of doing so he, one day, he regained a certain amount of sanity that caused him to reflect on how he had been used to collect and transport other peoples' waste. The following day Londoners were surprised to see him pushing his wheelbarrow upside down as away of protesting against being misused.

The Poverty Reduction Growth Facility, Poverty Reduction Strategies and development aid

Nelson Nyangu, African Forum and Network on Debt and Development

The purpose of this chapter is to provide a critical analysis of the Poverty Reduction Growth Facility (PRGF) within the context of development aid. As an instrument that has been laid down by the International Financial Institutions (IFIs) for developing countries, the PRGF has come under heavy criticism for its inability to address poverty and human well-being in developing countries. In fact, the PRGF is seen as a major obstacle to the success of Poverty Reduction Strategy Papers (PRSPs) and other development initiatives preceding its introduction, because of its technicality, disregard for low financial, human and institutional capacities to effectively implement PRGF programmes, unrealistic and unattainable conditionalities and the neo-liberal paradigm that underpins the programme.

There is also a new dimension to the operations of two Bretton Woods institutions. They have ventured into private sector investment through entities such as the International Finance Corporation (IFC) of the World Bank. Shamelessly they even bid for state owned enterprise, putting pressure on adjusting governments to sell, offer concessions or commercialise. This casts serious doubts on IFI objectivity as being genuine official interlocutors between donors and recipients of development aid.

Background

The Poverty Reduction Growth Facility (PRGF) is the IMF's low-interest lending facility for poor countries. The PRGF was embraced by the IMF in September 1999, as a new antipoverty instrument for its work in low-income countries. Resulting from this, the IMF abandoned its Enhanced Structural Adjustment Facility (ESAF). This move was an apparent response to pressure from NGOs such as Jubilee 2000, a critical external evaluation of ESAF and a fundamental review of the Highly Indebted Poor Countries (HIPC) initiative. These processes showed that ESAF and HIPC were not working, and had actually increased poverty and hardship in adjusting countries. Looked at from an external perspective, policy changes effected on HIPC and PRGF were externally driven. They do not represent a substantive policy shift by the Fund, towards poverty reduction.

PRGF programmes are underpinned by comprehensive, country-owned poverty reduction strategies. Poverty Reduction Strategy Papers (PRSPs) are supposed to be prepared by governments in low-income countries through a participatory process involving domestic stakeholders and external development partners including the IMF and the World Bank. The PRSP describes the macroeconomic, structural and social policies and programmes that a country intends to pursue to promote broad-based growth and reduce poverty. The link between the PRSP and development aid, is that the PRSP document stipulates external financing needs, including direct annual budget support from external partners and their associated sources. PRSPs are therefore important milestones in developing countries' efforts to mobilise development aid for poverty reduction and human well-being. PRSPs also provide a forum for external development partners and domestic stakeholders to contribute to policy design and dialogue with adjusting countries on economic governance issues.

The PRGF is strongly linked to the Initiative for Heavily Indebted Poor Countries (HIPC), first launched in 1996 by the Bank and the Fund. The aim of HIPC was to ensure that poor countries pursuing IMF and World Bank-supported adjustment and reform programmes did not face unmanageable debt burdens. At the time that PRGFs were put in place, the HIPC initiative was modified to provide faster, deeper, and broader debt relief and to strengthen the links between debt relief, poverty reduction and social policies.

The enhanced HIPC Initiative is now focused on macroeconomic adjustment, structural and social policy reforms with an emphasis on higher spending for health and education. Despite its recent reform, the HIPC initiative still poses difficulties for adjusting countries, in that certain conditions have to be fulfilled before countries can access debt relief. The adjusting country must have reached 'Decision Point', 'Interim Relief' and 'Completion Point'.

The main thrust of the PRGF, associated PRSPs and the enhanced HIPC is to have clear policies that are focused on economic growth and poverty reduction. This should come about due to better national ownership. Implementation should be consistent. According to the IMF, the new facility brings about a number of innovations, designed to ensure that lending programmes are pro-poor and in line with each country's own strategy for reducing poverty. These innovations are complemented by a stronger partnership with the World Bank, to increase the effectiveness and sustained impact of IFI efforts to reduce poverty.

Unlike the ESAF, the PRGF raised expectations about the role of the IMF in the struggle against poverty in the world's poorest countries. The most important innovation has been the PRSP process. PRSPs are prepared in all low-income countries intending to borrow from the IMF or World Bank, or to access debt relief under HIPC. National authorities base PRSPs on extensive consultation with stakeholders, including civil society and donors, rather than on negotiations with IMF or World Bank staff. The aim is to integrate the authorities' macroeconomic framework with an assessment of the poverty situation and plans to reduce poverty. Because this can be time-consuming, countries are producing Interim PRSPs covering existing policies and plans, and explaining how the more participatory, full PRSP will be developed. PRGF programmes can therefore incorporate some of the improvements in the new process, even before full PRSPs are completed.

The PRGF and development aid

To achieve clear policies focused on economic growth and poverty reduction, the PRGF-supported programmes are derived from PRSPs, in contrast to ESAF-supported programmes. Within the context of development aid, PRGF loan arrangements are derived from the Poverty Reduction Strategy described in the adjusting country's PRSP. This is also the basis for all other official creditor support. Under ESAF, Policy Framework Papers (PFPs), which were a basis for loan arrangements, were prepared jointly by country officials, IMF and the World Bank staff without broader consultations.

In theory, the PRGF process incorporates contributions to policy design from across society. PRGF-related documents are extensively distributed and emphasise country leadership and enhanced collaboration with the World Bank. This makes the PRGF programmes more transparent, enabling other donors to use PRSPs as the basis for their own development aid. So the PRGF is viewed as a more coherent and country-led approach to poverty reduction policies. The World Bank and IMF jointly assess the PRSP, which then serves as the basis for concessional lending by both institutions. That way, the two institutions can tailor assistance to fit their respective areas of responsibility in supporting the PRSP strategy.

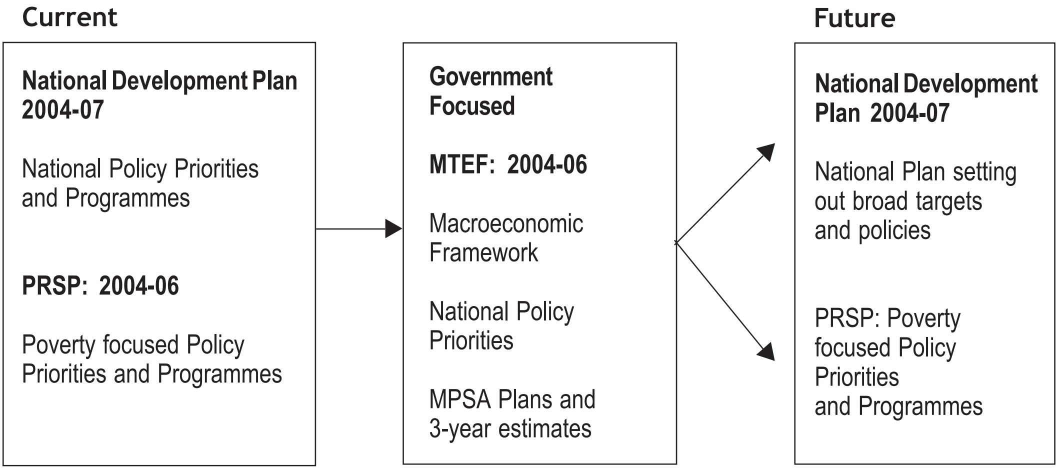
PRGF-supported programmes have a number of distinctive features. These are: public participation, economic aspects of governance and conditionality. The key feature of broad public participation and increased national ownership is to ensure that civil society has been involved in the formulation of the PRSP, that the country authorities are the clear leaders of the process, and that the programme is properly embedded in the overall strategy for growth and poverty reduction.

Economic aspects of governance place emphasis on effective and efficient management of public resources, strengthening fiscal governance to improve public services and ensuring proper use of HIPC debt relief and other government resources. Government budgets under PRGF-supported programmes need to be more pro-poor and pro-growth. Government spending should focus on activities that demonstrably benefit those in poverty, especially where debt relief under the HIPC Initiative, is releasing funds previously used for debt service.

The Bank helps adjusting countries to link their PRSPs and Medium-Term Economic Framework (MTEF) through an effective Public Expenditure Management (PEM) system. The focus of PEM is to emphasise the main functions of the budget: control of public resources, planning future resource allocation and management of resources. The MTEF is a three-year framework within which available resources (both government and donor) are divided between sectors, on the basis of agreed priorities. In short the MTEF is a medium term focus on resource planning. From the MTEF, annual national budgets are derived. In terms of development aid, civil society and donors should have participated in the PRSP process. Civil society's role is to increase public engagement on policies, coordination with Ministries, Provinces and other Spending Agencies (MPSAs) and monitoring and evaluation of PRSP implementation. The role of donors in the PRSP-MTEF process is to provide estimates of donor inflows for the three-year period, to provide input into sector priorities and programmes, and make comments on overall government priorities vis-à-vis the PRGF.

According to the IMF's April 2001 fact sheet, PRGF-supported programmes should pay more attention to the social impact of major reforms. Where there are expected to be major reforms, analysis of the impact on people in poverty has to be conducted (normally by the World Bank where governments lack the capacity to do this

Figure 1. Link between national priorities, PRSPs and MTEF



work themselves) and, where necessary, countervailing measures should be incorporated into the PRGF-supported programme.

At the same time, tax reforms should aim to improve both equity and efficiency. Appropriate flexibility in fiscal policy, including in targets for fiscal balances, is equally important. PRGF-supported programmes also have the scope to react to commonly experienced shocks, such as deteriorating terms of trade, poor harvests or conflicts. And when it is clear that funds could be used productively, new foreign aid may become available in the course of the fiscal year.

The conditionality feature stresses the importance of focusing on measures that are central to the success of the country strategy, particularly in the macroeconomic and financial spheres. Conditionality should focus on *reinforcing* the priorities set out in the country's strategy and should be applied sparingly. Almost all structural conditions in PRGF programmes are confined to four core IMF areas:

- fiscal management (expenditure control, accounting, auditing);
- tax reform;
- financial sector reform; and
- governance.

PRGF programmes in some countries have *no* structural conditions outside the fiscal management area but other countries such as Zambia, Kenya, Zimbabwe and Cameroon have more detailed conditionalities on governance. However, the number of conditions under PRGF is generally well below the average under ESAF.

The World Bank is also closely involved in PRGF countries, especially in the application of Bank conditionalities. Originally under the PRGF approach, World Bank and the IMF were meant to focus on their respective areas of expertise and responsibility. PRGF countries should, therefore, have a clear division in the conditionality applied by the Bank and the Fund. To this effect the Bank has established the Poverty Reduction Support Credit (PRSC) to enable it to link its own lending directly to the implementation of PRSPs.

Box 3. Terms of the PRGF

- As of September 2003, a total of 77 low-income member countries were eligible for PRGF assistance.
- Eligibility is based principally on a country's per capita income and eligibility under the International Development Association (IDA), the World Bank's concessional window (the current cut-off point for IDA eligibility is a 2001 per capita GDP level of $875).
- An eligible country may borrow up to a maximum of 140% of its IMF quota under a three-year arrangement, although this limit may be increased under exceptional circumstances to a maximum of 185% of quota. The maximum amounts do not constitute an entitlement and the amount lent will depend on the balance of payments need of the member, the strength of its adjustment programme, its outstanding use of Fund credit and its record on such use in the past.
- Loans under the PRGF carry an annual interest rate of 0.5%, with repayments made every six months, beginning five-and-a-half years and ending ten years after the disbursement.

Source: IMF Fact Sheet (Poverty Reduction Growth Facility) September 2003

Financing Mechanism for the PRGF

Concessional lending under the PRGF is administered by the IMF through the PRGF and PRGF-HIPC Trusts. The PRGF Trust borrows resources from central banks, governments and official institutions, generally at market-related interest rates. It lends them on a pass-through basis, to PRGF-eligible countries. The difference between the market-related interest rate paid to PRGF Trust lenders and the rate of interest of 0.5% per year paid by the PRGF eligible countries, is financed by contributions from bilateral donors and the IMF's own resources.

PRGF, development aid and development realities in low-income countries

Development realities or characteristics in the 77 low-income countries that are under the World Bank and IMF sponsored programmes are varied! The neo-liberal approach of the Fund's 'one-size-fits–all' remedy for 77 of the world's poorest nations is, like previous policy interventions, not going to work! The following section reflects on the Fund and Bank's compatibility with pro-poor policy choices, as promised by the poverty reduction strategies.

The IMF's traditional neo-liberal stance is that *a sound macroeconomic policy environment will lead to external viability and economic growth, and that economic growth will lead to poverty reduction.* But this has been proven to be a simplistic and unworkable analysis for low-income countries.

An analysis of ESAF success stories shows that those countries that experienced significant per capita growth under ESAF, were also the largest beneficiaries of external aid. Very few showed that long-term sustained growth came through domestic savings, investment and human capital development. Flows of external aid are influenced by a number of factors, including geo-political considerations (Israel, South Korea), relations with the Group of Seven (G7), the presence of well-developed factor markets, religious inclinations, and other bizarre motivations. Most countries in sub-Saharan Africa do not qualify under these criteria.

The Bank and Fund approaches, even under the PRGF, have emphasised economic stability and growth arising from economic liberalisation, as the main delivery mechanisms for poverty reduction. Economic liberalisation entails a number of changes to adjusting countries. Key among these are: trade liberalisation, tax reform, divesture of the state from direct participation in the economy, financial reforms and macroeconomic stabilisation.

Trade liberalisation

Most of the adjusting countries have not benefited from trade liberalisation. Although the 77 low-income countries currently under PRGF programmes have different development needs and characteristics, structural deficits in their economies leave them beset by chronic balance of payments (BOP) difficulties. The economies of low-income countries are highly dependent on a small cluster of raw commodity exports. It is estimated that the declining value of raw commodities relative to manufactured goods between the 1980s and 1990s was more than 30%. This resulted in declining terms of trade and significant losses in purchasing power.

Deteriorating terms of trade are further compounded by internal problems such as poor transport, communications, marketing infrastructures, limited domestic market, and a small and shrinking industrial sector. The education and health sectors of low-income countries have made very limited progress, thus affecting the lives and well-being of the people and undermining human capital formation. This situation according to CIDSE, sets a '*weak initial condition*', that when coupled with crippling debt burden amounts to a hostile and an unfavourable investment environment that affects the capacity of low income countries to respond to economic growth opportunities and challenges.

In view of the above, stabilisation and adjustment processes which are conditionalities under the PRGF and HIPC, have a negative effect on economic growth. Conditionalities regarding stability of exchange rates, avoidance of competitive devaluations and orderly correction of balance of payments problems, coupled with inherent and historical structural problems, make the stabilisation and adjustment programmes difficult. As most countries try to address foreign exchange inadequacies, by compressing the economy's aggregate demand, they actually depress economic growth.

A number of studies reveal that the costs of unilateral and rapid trade liberalisation fall most heavily on the poor. There has been a widespread failure of markets and institutions to create job opportunities, build human resources, create savings and provide micro finance services to poorer communities. The winners in SAPs have tended to be those with prior access to productive resources and assets, such as multinational companies.

Tax reform

As part of the rationalisation of the revenue and expenditure equation, IMF policies have aimed to shift the burden of taxation away from income tax, towards indirect taxation, sometimes including basic foodstuffs. There has also been a preference for shifting taxation from external trade to domestic consumption, as reflected in Value Added Tax (VAT). This has led to a number of changes in adjusting countries. In fact the guiding principle, especially on the expenditure side of the equation, is that you cannot spend what you do not have, thus the introduction of strict cash budgeting system. This has implications for those sections of society that depend on the state for their survival. Most states have been forced to spend less on non-economic sectors such as education, health and welfare. Such measures have led to cost shifting or cost sharing in the provision of public goods such as education and health. Under ESAF, education and health sectors performed very badly and the majority of people who are poor and vulnerable have been deprived of essential services. If the PRGF pursues this policy line, further deterioration can be expected.

The narrow view taken by the Fund, on how taxation should be pursued in adjusting countries, has been regressive in terms of the distribution of public services to the poor. It has diminished the capacity of governments to pursue re-distributive policies.

Divesture of state from economic activities

The Bank's Structural Adjustment thinking on the role of the state in economic activity is the same as that of the Fund. From the 1980s to date, the Bank's policy has been to remove the state from the market place, on the assumption that state intervention was inefficient, costly and affected free market wealth creation.

The impact of these policies was privatisation and commercialisation of state-owned enterprises. The consequence was redundancy and retrenchment. Rapid withdrawal of state participation in certain sectors, such as agriculture, transport and rural banking, had disastrous effects in a number of countries. In Zambia, the government's withdraw from crop marketing and running public transportation systems, led to a contraction of selling opportunities for poorer, remote farmers. This meant a redistribution of marketing opportunities, in favour of richer farmers, in locations closer to the country's inadequate transport infrastructure.

The role of the state in economic activity is still one of the focuses of PRGFHIPC conditionality. Zambia in 2003 failed to have 50% (US$3.5 billion) of debt written off by creditor nations, because it failed to reach the HIPC Completion Point! Some of the benchmarks for reaching the HIPC completion point were the privatisation of the state-owned enterprises, among them a commercial bank, an electricity utility company and a telecommunications company. Others benchmarks stipulated no increment on the salaries of public workers, and failure to meet agreed releases/expenditure on education and health sectors. The argument of the Fund and Bank was that expenditures on the above were causing the Budget overrun.

The ability of low-income countries to participate in, and benefit from, 'open and freer' international and domestic markets, is clearly circumscribed by the degree of protectionism in industrial and regional markets. Equally, the opening up of local markets to international competition, has led to total collapse of local industries, because most of them are poorly capitalised, lack investment in human capital and are unable to compete with cheaply produced or subsidised imported goods. Zimbabwe and Zambia have experienced this problem, whereas South African exports were subsided by the state, and managed to land in these countries at below existing market prices.

Although investment in infrastructure, human and social capital is universally accepted as a stepping stone for economic growth, and vital for low-income countries, the Fund's policy position is that this should be a priority that comes after, rather than integrated with, adjustment and stabilisation frameworks!

Africa

Macroeconomic stability

The Fund's institutional priority is low inflation. It advises that this should be achieved through a tight anti-inflationary policy, managed exclusively by cutting fiscal deficits. This approach compresses demand, is anti-poor and undermines the sustainability of growth. However there has been no prescription for what would be the acceptable, or optimal level of inflation, to balance sustainable economic growth with government expenditures that protect both the vulnerable and support investment in poverty reduction. *To date the Fund's view is that adjusting countries must get the macros right!* Macro economic stability is still seen as the back-bone for sustained economic growth and, consequently, poverty reduction under the PRGF arrangement.

The Fund's paper setting out the institutional guidance on PRSP operational issues, asserts:

> *'Sacrificing low inflation to finance additional expenditures is not an effective means to reduce poverty, particularly in cases where inflation is above single digit levels.'*

Fiscal and financial liberalisation

The rapid and open liberalisation approach in the financial sector has certainly led to contraction of available credit stock on the market. If the law of supply and demand is followed, this policy prescription would lead to a restriction in the availability of credit to those living in or vulnerable to poverty. Zimbabwe's experience of simultaneous financial and fiscal liberalisation in 1991 was also based on IMF neo-liberal paradigm, rather than grounded in analysis of the specificities of the Zimbabwean economy. In 1991, Zimbabwe's ESAF programme opted for the double whammy of overnight fiscal and financial openness. High levels of government domestically held debt were exposed to steep rises in interest rates. This in turn gave rise to increases in interest payments, a widening fiscal deficit and falls in investment, precipitating a financial crisis with political and economic reverberations that have almost destroyed Zimbabwe's financial markets.

It is clear that policies shaped around country specificities should be at the centre of poverty reduction strategies. It is also clear that macroeconomic policies should be aimed at raising aggregate supply, and developing pro-poor growth strategies.

Equity and equality considerations in the PRGF, HIPC and PRSPs

Almost all previous development interventions prescribed by the Fund and the Bank lacked any consideration of equity issues. The result was characterised by widening socio-economic inequalities. These compromised prospects for future long-term growth and poverty reduction. In addition, the social exclusion resulting from economic reform added to stresses between social groups at the macro and household levels, increasing the burden of poverty especially on women in their quest to meet the daily households needs. The net effects have been inequitable, irreversible and degrading to humanity.

De-institutionalisation of the provision of health care, especially in the wake of the HIV/AIDS pandemic, also failed to consider intra-household gender dynamics.

During the formulation, implementation, monitoring and evaluation of PRSPs, cross-cutting issues such as gender, age, governance, HIV/AIDS and others are referred to. But the Bank and the Fund do not make these issues a pre-condition for endorsing PRSPs, whereas they insist on macroeconomic issues. This shows their lukewarm commitment to issues of equality.

Conclusion

Development aid is critical for all low-income countries, whether through Bank or Fund-supported programmes. Aid should, however, be directed to areas such as raising overall investment in infrastructure and human capital formation in low-income countries.

Therefore if poverty reduction strategies are to succeed, it follows that policies must be changed to accommodate broader definitions of revenue, and to enable governments to maximise income and expenditure, without giving rise to excessive macroeconomic distortions.

In the new poverty reduction strategy landscape, the ability to maximise the inflow of resources to low-income country economies is vital, if the conditions for pro-poor growth are to be built. It is essential to raise aggregate supply and to build the capacity of economies to grow. This cannot be achieved within the current PRGF and HIPC conditions.

ESAF and other Fund and Bank-sponsored programmes have had devastating impacts on education, health care and welfare provision. In an effort to reduce government deficits, SAPs programmes have introduced cost-recovery measures or user fees for access to basic medicines and schooling. These have been disastrous. Mitigation measures for the vulnerable such as social safety nets have, by and large, failed to be accessed by those in poverty.

Meaningful participation of civil society in the PRSP process calls for a well-informed civil society group, with adequate mechanisms to lobby government on certain pertinent issues. But the capacity of most social movements in Africa to engage meaningfully in PRSP processes is still rather weak. Civil society must be involved right from the PRSP formulation stage, through to the last stages of the process. This is what should constitute 'meaningful' civil society participation.

Equally, national governments must prioritise the use of local resources and avoid unnecessary expenditures such as by — elections and excessive foreign travel.

The Bank and Fund's role as official interlocutor between donors and aid recipients is, in reality, a cost to administration of development aid. Their role must be revisited. The financing mechanism for the PRGF, where the Fund has to source money from donors for PRGF borrowers, is inefficient and should be revised. Direct aid flow from bilaterals to recipients is less bureaucratic, more efficient and the better option.

The social exclusion resulting from economic reform added to stresses between social groups at the macro and household levels, increasing the burden of poverty especially on women in their quest to meet the daily households needs. The net effects have been inequitable, irreversible and degrading to humanity.

Donor conditions aid increasing poverty

Leo Atakpu, Africa Network for Environment and Economic Justice (ANEEJ)

The influence of France and Britain in West Africa dates from the colonial era. Their interests have been both political and economic.

The West African sub-region was mainly agrarian; its economy depended largely on agriculture and mineral resources before the advent of colonial rule.

The French monetary economic and commercial system, as well as other forms of financial arrangements, was easy to operate and relatively trouble-free. This was because France guaranteed the convertibility of local currencies into metropolitan ones. This arrangement, according to Wilfred Ndongko (1986)[1] facilitated inter-state trade and payments, movement of capital and labour among the Francophone countries, and maintained the stability of the exchange rates between CFA Franc and other currencies.

These special advantages accounted for the creation of many regional groupings between the French-speaking African countries. The attainment of independence by many of these countries, in the early 1960s, led to the renegotiation of the cooperation agreements between France and its ex-colonies and a relaxation of the rigid rules that had hitherto governed the functioning of monetary and commercial relationships.

Francophone Africa is dotted with a multiplicity of regional economic groupings and institutions, designed to promote economic integration among the various African states. But this does not mean that cooperation in West Africa is limited to the Francophone states (Ndongko, 1986).

Superimposed on the various regional groupings in West Africa is the Economic community of West African States (ECOWAS), established on May 28, 1975. ECOWAS membership not only transcends linguistic barriers, but also comprises all of West Africa.

One of the oldest economic groupings was the West Africa Economic Community (Communauté Economique de l'Afrique de l'Ouest – CEAO), which was launched in 1970. In June 1972, the Treaty setting up the regional grouping was signed by six French-speaking West African States — Upper Volta (now Burkina Faso), Senegal, Niger, Mauritania, Mali and Ivory Coast (now Côte d'Ivoire).

There were more ambitious groupings, but both CEAO and ECOWAS recognised that, for the most part, the African countries depended on foreign capital, technology and technical skills for development. This invariably means that the foreign countries on which African countries depend will be able to influence their policies.

West Africa

Today, there is hunger, poverty and disease at critical levels across the length and breadth of West Africa.

Efforts to provide aid to West African countries have proved little more than a drop in the ocean. In fact, some aid, linked to conditionalities, has further impoverished the sub-region. Some of the conditionalities are the Structural Adjustment Programmes (SAPs) and the Enhanced Structural Adjustment Facility (ESAF). Countries like Mauritania, Senegal, Niger, Ghana, Nigeria and Sao Tome and Principe spend 20% of their export earnings on debt management.

Trade liberalisation and privatisation policies being pursued by the Bretton Woods Institutions, with the tacit support of France and Britain, have further increased poverty in the region.

Today, most West African States depend largely on external aid to manage their budgets. According to the ANEEJ Secretariat in Benin City, the percentages of aid as a share of government expenditure are: Nigeria 5%, Ghana 60%, Mali 73%, Sierra Leone 60% (recurrent) 90% (capital development), Senegal 70%, Burkina Faso 85%. Nevertheless, the budgets do not remotely address poverty reduction. Even Nigeria, considered an oil rich nation, budgeted only US$8 billion for its services in the 2004 fiscal year. This is a far cry from what the country needs to meet its development needs.

Even in the face of biting poverty, aid delivery to the sub-region has suffered some hiccups, owing either to the failings of weak institutions or the behind-the-scenes actions of some donors and the ex-colonial masters. Aid is either mismanaged or sometimes diverted. This explains why donors and some development workers are promoting ‘good governance’ and a rights-based approach to the delivery of development cooperation.

During colonial rule and before the mid-Eighties, when SAPs were introduced, the central motive of France and Britain was to keep the Francophone and Anglophone countries within their sphere of influence. Issues of good governance, human rights and other conditionalities did not arise.

Good governance, as a concept, provides the framework through which citizens and groups exercise their rights, meet their obligations, and articulate their interests. Abdalla Hamdok (2001) emphasises that while various types of governance systems have been developed at different times, the recent emphasis on governance as an essential ingredient of Africa’s reform process is unique, in that it was initiated by donors and not by domestic leaders under pressure from their constituencies (Doornbos, 2001).[2]

Hamdok also notes that as a policy framework, ‘good governance’ imposes demands on policy makers in their exercise of power. It encompasses:

1. An effective state, i.e. one that provides an enabling political and legal environment for economic growth and equitable distribution.
2. Civil societies and communities that are represented in the policy making process, with the state facilitating political and social interaction, and fostering societal cohesion and stability.
3. A private sector that is allowed to play an independent and productive role in the economy.[3]

Globalisation is another source of pressure on West African governments to adopt ‘good governance’. With developing countries competing with each other for international investment, experience has shown that funds tend to flow to countries that already have an economic environment that is considered amenable by domestic entrepreneurs.

West Africa

But what has been the experience in West Africa with governance and policy in Africa?

Multi-party democracy is considered one of the pillars of good governance. Hamdok (2001) notes that the major political change in the 1990s was the re-introduction of multiparty systems of government. This included the holding of multi-party elections, adoption of new pluralist constitutions and the legalisation of opposition party activities. In several countries, there have been big improvements in the rule of law and civil liberties have been gaining ground.

However, also in the course of the 1990s, some West African States seemed to disintegrate into civil war and collapse of the rule of law. Liberia experienced close to a decade of civil war (1989 – 1997), which seriously destabilised many neighbouring countries, notably Guinea-Bissau and Sierra-Leone. Since 1992, Sierra-Leone has undergone a bitter civil war, whose effects have spilled over into neighbouring countries.

In Ghana, since independence in 1957, the experience of democratisation leaves much to be desired, especially as it relates to economic reforms. Ghana's experience stands in contrast to the empirical findings of Dollar and Svensson (1998) that democratically elected governments are more likely to reform successfully. The relationship between democracy and reform in Ghana has been complex. Donors have expended much energy and resources pushing democratisation, in the belief that political and economic liberalisation will necessarily lead to good economic policy (Yvonne M. Tsikata. 2000). But Ghana's economy is characterised by fragility and vulnerability. In the 1990s, fiscal deficits escalated to 10% of GDP, putting a strain on the financial system.

Starting in 1991, democratisation in Mali somewhat modified the influence of vested interests on the role of aid in promoting reform. Democratisation should naturally promote the ownership and internalisation of reforms. The experience of Mali has shown, however, that the process is slowed down when certain irreconcilable interests are involved and there is not sufficient mediation capacity at the government level (Patrick Guillaumont et al. 2000).

Role of Britain in Western African economic management

Nigeria, Ghana and Sierra-Leone are Anglophone countries. As their colonial master, Britain was driven to provide aid, both to empower governments to provide essential services for their populations, and directly to the people.

During colonial rule and up till the mid-Eighties, when Nigeria's President Ibrahim Babangida (1985-1993) introduced the SAP, the first motive of British Aid was keeping Nigeria within its sphere of influence; the second was to keep up agricultural production, which serviced British industries. After Ghana's independence in 1957 and Nigeria's in 1960, aid was driven by the need to maintain Britain's neo-colonial hold, so as to always have cooperation in the Commonwealth, the United Nations and other World bodies. The British government still needed access to Nigeria's cultural resources. Also, Britain wanted to keep its foothold in Nigeria, from where it could continue to launch its Cold War against the Soviet Union and its Warsaw Pact countries on the African continent.

Between 1968 and 1969, during the civil war in Nigeria, Britain swung its development aid and support behind Biafra (the splinter Ibo group) because of the vast oil resources in the secessionist enclave. However, when it dawned on Britain that Nigeria would have the upper hand in the war, it re-established support for Nigeria. For its part, France provided development assistance for Biafra and put pressure on Cameroon and Gabon to allow their territory to be used for shipping in military, medical, food and other supplies. It was partly because of this problem that Nigeria's head of State, Yakubu Gowon, conceded the oil-rich Bakassi Peninsula to Cameroon, as a carrot to get it to close the air, sea and land corridor in the Peninsula, against Biafra.

The issue of good governance, human rights observance and other conditionality for aid did not arise. But these are central issues within aid today.

With the end of the Cold War in the late Eighties came the dominance in world politics of America and her allies, including Britain. Since then, British aid to Nigeria, Ghana and Sierra Leone has no longer been largely dictated by an attempt to keep the countries within its sphere of influence. Britain's support for Nigeria is now in line with that of America and the Bretton Woods Institutions, which are the leading voices in the promotion of good governance.

America had not considered Nigeria a priority area for development aid but recently recognised it as a regional force in Africa, which needs to be wooed. However, during the Iraqi war, the USA was not pleased by Nigeria's neutral posture. Hence it froze military aid to Nigeria, disingenuously citing the Zaki Biam Civilian massacre in Benue State by Nigerian soldiers, as an excuse for its action.

Nigeria does not seem to be a strategic ally of America in the war against terrorism and in its effort to find lasting peace (the American way) in the Middle East. However, America shows understanding for Nigeria's peacekeeping effort in the West Africa subregion. Hence, America's aid is propelled mainly by a desire to show appreciation for Nigeria's effort, as well as to encourage the empathy of Nigerians with America's new role as the most powerful nation on earth. It is largely for these reasons that Nigeria will be receiving a chunk of America's US$15 billion for combating HIV/AIDS in Africa, although South Africa and Botswana will be getting a much larger share.

One cannot ignore the fact that aid flows to Nigeria today are mainly for economic reasons. For instance, the general thinking in the North is that Africa cannot achieve the MDGs unless Nigeria, which constitutes 20% of its population and has one of the largest private sectors and domestic markets, is helped to develop. Thus, in spite of some reservations, aid is being provided for Nigeria, with the donors hoping to enjoy the multiplier effects of such investment.

Meanwhile, Ghana is a case study of an African country that has received massive aid from the early 1980s to date and yet is currently ranked as a Highly Indebted Poor Country (HIPC). The high level of commitment and prompt implementation of policy actions by the PNDC government, coupled with support from donor partners, resulted in the success of the early SAP programmes. Aid flows to Ghana increased in the early 1980s, because many donor countries were eager to support a 'winner'. Ghana and Uganda became the World Bank and IMF models in Africa. They were highly publicised 'success' stories of reform programmes under the HIPC initiative. But today, the people of Ghana are worse off than they were 30 years ago (Yakubu Zakaria, 2003). The country remains on the HIPC list, with GDP per capita of US$380 in 2003. External debt is equivalent to more than 75% of GDP. External debt stood at US$5.9 billion in 1998 (up from US$4.8 billion in 1993) though it did dip to an estimated US$4.6 billion in 1999 (IMF, 1999).

West Africa

The West African region was doing better when it was not taking loans and other development assistance. As from 2003, 60% of Ghana's budget has come from aid. Without development aid, the Ghanaian economy would collapse. To worsen matters, Ghana is neck deep in debt servicing.

One condition of aid to Ghana is to prevent the country from subsidising cocoa farming. At one time Ghana was the world's leading producer. But the ending of the cocoa subsidy because of aid resulted in the collapse of the cocoa industry. Subsidy removal is a key element in Ghana's eligibility for the Africa Growth and Opportunity Act (AGOA) — the window of opportunity for trade opened for Africa by America. This eligibility requirement went against the practice in western countries, which subsidise their own agricultural inputs with about US$350 billion annually.

The case of Ghana reinforces the need for a de-standardisation of economic recovery programmes in Africa, since different, unique conditions exist in various countries on the continent.

During his five-nation African tour in July 2003, President George W Bush said that America would increase its core development aid to poor nations. He also revealed that America had urged the World Bank to make available US$200 million in loans to ten African countries to support small business over a one-year period. President Bush explained that funds under the US Millennium Challenge Account would only be available to three categories of leaders in Africa: those who rule justly, those who invest in health and education; and those who implement policies for economic reform.

But these American conditionalities for aiding needy African countries do not stand alone. What will ultimately drive US aid to these countries is the political support they give America in the global institutions where international issues are tabled for discussion.[4]

Globalisation is today the economic slogan of rich countries of the North, including Britain and America. The aid that Nigeria, Ghana and Sierra Leone are getting from their multilateral and bilateral donors is aimed at co-opting these countries into the global economy, an unequal playing field, where the interest of the developed nations predominate.

Agricultural raw materials, crude oil and gold from Nigeria and Ghana, continue to service British and American industries, to the detriment of both African countries.

The role of France in West African economic management

France and Britain, as has been noted, have similar interests in their role in Western Africa economic management. France however, exerts a very strong hold on its ex-colonies, as the Franc zone in Africa, established in colonial days, still exists. The only possible contenders with France in Francophone West Africa are possibly the United States and the Bretton Woods Institutions and the World Trade Organisation. There are several explanations for this.

Firstly, the monetary system in Francophone countries was organised so that the central bank in France held an unlimited amount of cash reserves from banks in these countries. The French authorities said this arrangement was to ensure that the Central Bank could guarantee the convertibility of the West African CFA currency. Under this arrangement, each Francophone country is allowed to keep a limited amount of money (aid) in their central bank and the West African Clearing House is also allowed a limited amount of money.

The implication of this arrangement is that it enables aid donors to earn an income for aid given, whether it was used or not. It does, however, deprive these West African Francophone countries of development funds (Agbokou Isidore, 2003).

Secondly, France wields its grip on Francophone Western African countries through the establishment of economic groupings and institutions. These groupings include CEOA — 1962, West Africa Monetary Union (WAMU) and the West Africa Economic and Monetary Union (WAEMU) — 1994. Although established by the Francophone countries, French influence is usually in the background, sometimes with the aim of using such organisations to counter British influence on the sub-region or to thwart Nigeria, which has more than half the population of the sub-region and the largest market.

Today, most Francophone countries' economies are in the woods. They are virtually dumping ground for goods made in France. They are all HIPC listed, with their budgets heavily dependent on external aid. Agriculture and pastoral farming, which used to be the mainstay of their economies, have collapsed, as farmers no longer enjoy subsidies in agriculture, because of aid conditionality. As expected, countries loyal to France get more of its attention.

The study carried out by Elliot Berg et al (2000), for Côte d'Ivoire explains: France is a major donor, the third-largest contributor of ODA to Côte d'Ivoire after the IMF and World Bank. France provided two thirds of bilateral aid in 1996, well ahead of Japan's 26% and Germany's 5%.

French financial assistance to Côte d'Ivoire is accounted for by history, commercial and financial interests and political strategy. Colonial history and cultural links, strengthened the ties with the former coloniser, as did the strong pro-French sentiments of the country's first, and long-time, head of state, President Felix Houphouet-Boigny. The President not only maintained French influence in Côte d'Ivoire, but also championed it in other Francophone countries. France has commercial and financial interest in Côte d'Ivoire, which is its second largest West African market (after Nigeria). The equity capital of many Ivorian firms is largely French. Large-scale trading businesses are French or French controlled. Finally, Côte d'Ivoire was valued as a political asset, a heavyweight partner in the sub-region.

France provided financial support for the economic development of Côte d'Ivoire.[5] This assistance was vital, especially during the difficult years in the mid-1980s and between 1990 and 1993, when the country was trying to avoid bankruptcy. France cancelled its ex-colony's debts to save it from default.

In the year before the devaluation of the CFA franc, French influence on policy was diluted by the strong presence of Bretton Woods Institutions. Its influence by no means disappeared, however, not least because the French strategy of co-financing most reform programmes provided continuing opportunity. Co-financiers' consultation mechanisms were used by France to press its views, dissent from policies, and occasionally provide the political backing that Côte d'Ivoire needed in negotiations with these institutions. After the devaluation, the role of co-financier of Structural Adjustment Programmes was strengthened. Indeed, the Agence Francais de Development (AFD) spent 600 billon CFA francs in Côte d'Ivoire in the period 1994-98, of which more than half (315 billion CFA francs) was for structural adjustment loans. These resources financed external debt service and internal debt arrears to the private sector.

One major implication of the liberalisation reforms, was a wider opening of the local market to non-French businesses. This was foreseen by France, which released another 150 billion CFA francs in credits to the private sector — 25% of total AFD assistance between 1994 and 1998. Almost three quarters of this aid was in the form of loans to finance the participation of French-controlled firms in the provision of public services — electric power, gas, water, transport (rail and airport). seaport, and toll bridges. A French firm won the bid to privatise the National Telecommunications Network.

French firms engaged in the local market benefited from guarantees to facilitate borrowing. These amounted to CFAF 38 billion in 1994 – 1998, that is 25% of AFD assistance to the private sector. Thus, it can be argued that the French aid inflows associated with the liberalisation reform reinforced the already strong position of French firms in the economy, especially in key strategic sectors (Elliot Berg et al (2000).

The story is different today. The country is labouring under a huge debt burden and in 1999 the coup led by General Guei led to the stoppage of all development assistance. Aid flows resumed after the election in 2000. But in 2001, there was an army mutiny. This was followed by a period of instability, which contributed to a serious economic crisis in a country largely import dependent on its agricultural exports, namely, cocoa, cotton, and coffee, the prices of which collapsed due to unfair trade terms in the global market. France, which was expected to come to the rescue of Côte d'Ivoire, turned the other way (Kone Solange, 2003).[6]

Just as unfair trade relations hamper Côte d'Ivoire, so the trade relationship between Mali and donor countries, are at odds with principles of development cooperation.

Eighty per cent of Malians are engaged in agricultural and pastoral activities. Mali is the world's second largest producer of cotton after Egypt. But the price of cotton has been very low. In 1990, the price was US$3.4 per kilogram. In 2001 it had fallen to US$0.24 per kilogram, causing widespread poverty in the country.

The price of cotton is determined in Paris or Washington. As a condition for aid, the Malian government is not to subsidise cotton production, while America's annual subsidy to its cotton farmers is US$4 billion (World Bank Report, 2003). Mali's total GNI in 2002 was under US$2.8 billion. To worsen matters only 1% of Malian cotton was consumed locally, while 99% was exported.

Governance and quality of institutions

A rapidly growing literature documenting the relations between various indices of governance and economic performance notes that the legacy of a country, for instance its colonial history, is likely to be a major determinant of institutional quality. Evidence from studies suggests that cross-country variations in institutional quality are an important explanatory factor behind cross-country variations in economic growth[7].

But why does institutional quality differ so much between countries? One possibility is the legacy of history, such as religious or colonial heritage, or ethnic diversity[8]. Chong and Zanforlin (2000) suggest that the legal tradition affects the quality of institutions. In particular, they find that countries with a French civil code tradition have less bureaucracy, more corruption and lower credibility of government policies than do countries with a common law tradition. This in turn may lead to slower economic growth.

Conclusion

Francophone and Anglophone countries of West Africa are all categorised as HIPC. The combined GDP of ECOWAS is about US$105 billon. Nigeria's share of this is 51%. Thus, although a poor country in absolute terms, Nigeria remains a major economic player in the West Africa sub-region.

West Africa

Given the heavy weight of poverty in ECOWAS countries, aid has continued to flow to the sub-region from both multilateral and bilateral donors, to the extent that country budgets are now based on foreign aid. Despite this aid flow, poverty, disease and hunger have remained on the increase, which strongly suggests that something is wrong with the kind of aid flowing to the ECOWAS region. The chief problem is conditionality.

Britain and France have been major donors, but they have played a key role in the underdevelopment of the sub-region, using their influence to support conditionalities that have reinforced their own interests.

Up until the 1990s, the issue of governance and human rights was not much of a condition in international cooperation and aid delivery. But today the issue has been placed on the front burner in international cooperation.

For both donors and recipients, the issue of governance and human rights is vital in addressing the development challenges in West African countries, particularly in the context of the MDGs.

The commitment to halve poverty can only be achieved if donors take responsibility to hold themselves accountable for their approach to governance and human rights. Currently, recipient countries are expected to hold their governments, ex-colonial governments, donors and all stakeholders accountable for their commitments on the Millennium Development Goals.

Donors must improve the quality of their aid for poverty reduction, and set out clear plans for increasing aid to the United Nations target of 0.7% of GNI.

West Africa

References

1. Wilfred Ndongko. *The West African Economic Community (CEAO): Its existence and the largest implications for the structuring of West African Inter-Governmental Organisations and the Evolution of the African Common Market*. 1986.

2. Aigbokan, Ben. *Debt, ESAF/HIPC Initiative and Economic Development in the West African subregion*.1998.

3. Doornbos, M. 'Good Governance: The Rise and Decline of a policy Metaphor', *Journal of Development Studies* Vol. 37, No.6. 2001

4. Hamdok, A. 'Governance and Policy in Africa', Discussion Paper No. 2001/126 of the World Institute of Development Economics and Research. 2001.

5. Hamdok, A. 'Good Governance and the policy Challenge: The African Development Bank Perspective', Presented at the workshop on Evaluation capacity Development in Africa, Johannesburg. 2000.

6. Hamdok, A. and H. Kifle 'Governance, Economic Reform, and Sustainable Growth: The Policy Challenge for International Development Organisations', presented at the First International Forum on African Perspective on Emerging Africa, Organised by the African Development Bank: Abidjan, and the OECD Development Centre: Paris. 2000.

7. Dollar, D, and J. Svensson. 1998. 'What Explains the Success or Failure of Structural Adjustment Programmes?' Policy Research Working Paper 1938. World Bank, Development Research Group, Washington D. C.

8. Tsikata, Y. M. *Aid and Economic Reform in Africa, a case study of Ghana*, A publication of the World Bank. 2000.

9. Guillaumont et al. '*Aid and Reform in Africa' a case study of Mali*, A publication of the World Bank. 2000,

10. Zakaria, Y. 'Aid flows and Economic Performance, A Ghanaian Experience'. A paper presented at the ECONDAD/AFRODAD Joint conference on Aid in Lagos, Nigeria, 8-9 September 2003.

11. Kamara, V. 'Sierra Leone: Report on Reality of Aid', a paper at the ECONDAD/AFRODAD Reality of Aid workshop, 8-9 September 2003.

12. Agbokou Isidore. 'Reality of Aid in Republic of Benin', a paper presented at the ECONDAD/AFRODAD Reality of Aid workshop, 8-9 September 2003, Lagos, Nigeria.

13. Elliot Berg et al. *Aid and Reform in Africa, a case study of Côte d'Ivoire*. 2000

14. Guillaumont Patrick et al. *Aid and Reform in Africa, A case study of Mali*. 2000.

15. Devarajan, S. Dollar, D. and Holmgren, T. *Aid and Reform in Africa: Lessons from Ten Case Studies* World Bank: Washington DC. 2000.

16. Anders, Danielson. *Economic and Institutional Reforms in French-Speaking West Africa, Impact on Efficiency and Growth*. 2001. http://swopec.hhs.se/lunewp/abs/lunewp2001_013.htm

Notes

[1] Wilfred A. Ndongko, Professor, of the Institute of Human Sciences, Younde, Cameroon.

[2] The United Kingdom's Department for International Development (DFID, 200:2) has, for example, listed seven key capabilities, which governments in developing countries need to develop in order to meet the international development targets, which revolve around the eradication of poverty. These touch on many of the governance issues including politics, political and financial accountability.

[3] See Hamdok, 2000; Hamdok and Kifle, 2000.

[4] A study by economist Albert Alesina (Harvard University) and David Dollar of the World Bank has revealed "friends" of the United States and Japan who vote "correctly" at the UN get their substantial aid, granted that major donors usually buy political support in the UN, etc.

[5] Elliot Berg et al (2000).

[6] Kone Solange of FNDP, presented this position at the ECONDAD Annual General Meeting held in Lagos, September 8 – 9, 2003.

[7] The possibility of reverse causation, i.e., that rapid growth leads to improved institutions is tested for and almost always rejected. Again, the stability of institutions as compared to rate of growth makes a causal link running from growth to institutions less plausible (Knack, 2000). However, Aron (2000:128), in a careful survey of the evidence, cautions that a definitive positive conclusion on the links between growth and institutions is difficult to pin down, suggesting that the claims for causality should be treated with caution.[8] Barro, 1996 a, b.

Partnership produces some best practice on aid management

B M Elikana and J K G Mapunjo

Tanzania's history of development cooperation dates back to the early 1960s when external financing policy was broadly derived from socio-economic policies spelt out in the ARUSHA Declaration of 1967 and from Tanzania's policy of Socialism and self-reliance. The main external finance guidelines were based on the fact that Tanzania recognised the role of external finance in bringing about the intended Socialist Development.

The external finance sector was said to have an important role in the economic development of Tanzania and to need proper management.

- Because of Tanzania's limited capacity to generate adequate domestic resources, external aid should be encouraged, in order to complement the country's own resources.
- Where external aid was to be offered, this should be on the best terms and on conditions acceptable to the Government of Tanzania: that is, grants and loans on concessional terms and without any political strings,
- In terms of Tanzania's policy of Non-Alignment, aid could come from any source regardless of the political leanings of the donor/lender.
- Overall, external aid had to help Tanzania to achieve its Socialist development goals.

However, for reasons beyond the scope of this paper, the intentions of the Arusha Declaration to make Tanzania self-reliant were not realised. As a result, the country continued to be sustained by foreign aid in order to meet development expenditure. Thus, foreign aid has played, and will continue to play, a big role in the Tanzanian economy. It is estimated that, since 1990, the annual aid flow to Tanzania has averaged around US$1 billion, at today's prices.[1]

Tanzania has received aid to support development in most sectors, with a changing emphasis over time from agriculture and transport in the 1960s to industry and energy in the 1970s. Currently, the focus is moving towards pro-poor expenditures, such as support to health and education, as well as development management. Despite the volume of aid received, Tanzania is still considered as one of the poorest aid dependent countries.

During the 1980s and early 1990s, aid became increasingly exposed to criticism for failing to bring the desired results. Since then, there have been a number of initiatives both at the national and international level with a view to making aid more effective and efficient.

Tanzania

The most important developments include the Helleiner study (1995), the New Nordic-Tanzania Development Partnership, OECD's DAC — shaping the 21^{st} Century, the Tokyo International Conference on African Development (TICAD II), the Tokyo Agenda for Action, the Stockholm Workshop on Making Partnerships work on the ground, the New Partnership for African Development (NEPAD), Monterrey Consensus (2002), and the Rome Declaration (2003). The emphasis in all these initiatives is on:

- Promoting local ownership and leadership
- Promoting partnership
- Improving aid coordination and mechanisms
- Improving transparency, accountability and predictability of aid
- Strengthening capacity of aid recipient governments
- Capacity strengthening of external resource management
- Harmonising donor policies and procedures.

Aid/donor coordination and harmonisation in Tanzania

The Aid/Donor Coordination and Harmonisation process began in 1995, following a period of difficult relations between Tanzania and its Development Partners and the subsequent adoption of the recommendations of the Helleiner Report in 1997 (See Box 4).

Since the adoption of the Helleiner recommendations, there has been an increased focus on the identification and implementation of measures that can make development assistance more effective and efficient.

Box 4. The Helleiner Report

A group of independent advisers, led by Professor Gerald Helleiner, was commissioned to evaluate, and make proposals on how to improve, the aid relationship in Tanzania. The recommendations of the 'Helleiner Report', which was jointly adopted by the government and donors in 1997, included promoting the Government of Tanzania's ownership and leadership of the development process, the need for the government to set out a clear vision and set of national priorities for development' greater donor transparency, coordination of aid modalities; rationalisation of donor assistance, strengthening of government financial systems and improvements in accountability and enhanced effectiveness of the budget management process.

National Development Policy Framework

During the late 1990s, the Government of Tanzania, in consultation with other stakeholders, formulated the National Vision 2025, which provides the overall development framework. It sets out the national objectives for social and economic development and the vision of attaining a middle-income society by 2025.

The long-term poverty reduction targets are articulated in the National Poverty Eradication Strategy (NPES). In the short and medium term, the Poverty Reduction Strategy

Paper (PRSP) provides strategies for poverty reduction in those areas that are identified as priorities, as well as indicating financing needs and monitoring mechanisms.

The framework for strengthening aid/ donor coordination, harmonisation of processes, partnership, national ownership of the development process and managing the external resources for development is provided in the Tanzania Assistance Strategy (TAS), launched in June 2002. The aims encapsulated in the TAS are also a reflection of the international consensus that has emerged since the early 1990s on aid management.

It is now widely agreed that, in order to improve the effectiveness of aid in support of poverty reduction goals, there is an urgent need to improve aid coordination, promote harmonisation of systems and strengthen government ownership of the development processes. Recently, the High Level Forum on Harmonisation (2003), the OECD DAC Task Force on Donor Practices (2003) and the New Partnership for Africa's Development (NEPAD), have all outlined the practical steps needed to bring about substantial improvements in aid/donor coordination and harmonisation. The TAS is Tanzania's guide to ensuring that these objectives are achieved on the ground and transformed into real benefits for people living in poverty, in terms of increased aid effectiveness.

Box 5. The TAS

TAS is a coherent national development framework for managing external resources to achieve the development strategies set out in the National Development Vision 2025, the National Poverty Eradication Strategy, and the Poverty Reduction Strategy. It is a Government initiative aimed at restoring local ownership and leadership by promoting partnership in the design and execution of development programmes. It seeks to promote good governance, transparency, accountability, capacity building and effectiveness in aid delivery. TAS is neither a programme nor a project, rather a process for change.

Current status on partnership, aid coordination and harmonisation

The Government of Tanzania, its development partners and civil society have come a long way in building successful partnerships and in improving aid management, donor/aid coordination and harmonisation. This was possible because, following the adoption of the Helleiner recommendations, both sides of the partnership played their role.

The international community accepted the need for harmonisation and enhanced aid efficiency. For its part, the Government adopted a clearly articulated development policy framework (including the Vision 2025, NPES and the PRS), strengthened accountability, and improved financial management systems. Most importantly, both sides agreed to work together in mutual trust and renewed their focus on the common goal of poverty reduction.

Today, Tanzania is widely recognised as being at the forefront on issues of aid coordination, harmonisation and partnership. This has resulted in a store of knowledge of best practices that can be shared with other countries and institutions.

The TAS document articulates the national development agenda and policy

Tanzania

framework, as well as the best practices in development cooperation and a framework for monitoring progress towards achieving best practices in development partnership.

The TAS document lists 13 key best practices in aid coordination covering both government and development partner actions (See Box 6).

Box 6. TAS Best practices in Development Cooperation

- Government leadership in developing policy priorities, strategic frameworks and institutionalised cooperation mechanisms in various areas/sectors.
- Government involves civil society and the private sector in developing national policies, strategies, and priorities.
- Government prioritises and rationalises development expenditures in line with stated priorities and resource availability.
- Integration of external resources into the strategic expenditure framework.
- Integration of reporting and accountability systems.
- Adequacy in resource disbursements relative to prior commitments.
- Timing of resource disbursements is responsive to exogenous shocks to the Tanzanian economy.
- Donor policies complement domestic capacity building.
- Firm ODA commitments are made for longer time periods.
- Improvement in public financial management by government.
- Government creates an appropriate national accountability system for public expenditure.
- Ministries, regions and districts receive clean audit reports from the Controller and Auditor General.
- Transparency in reporting and accountability at the central, sectoral and local levels.

While the TAS provides a broad outline of best practices for Tanzania and her development partners in development cooperation, the TAS Action Plan, which was developed in FY 2002/03, sets out the practical steps that the government and development partners will follow in order to implement the TAS in the short and medium term. The TAS Action Plan highlights four areas requiring urgent attention and representing the greatest challenges in terms of reducing the burden of transaction costs and inefficiency, and promoting harmonisation over the three years of TAS' implementation.

These are: first, improving the predictability of external resources; second, increasing aid flows captured in the government budget system; third, promoting government leadership of the policy process and rationalising processes; and fourth, improving national capacities in aid coordination and external resource management.

Improving the predictability of external resource flows

Over recent years, there have been improvements in the predictability of external resources, particularly the direct budget support. Improvements in predictability have resulted from greater transparency between government and development partners, better systems for gathering information on projections and changes in modalities of aid delivery. The formulation and adoption of the PRS, involving various stakeholders, including development partners, civil society, etc., has encouraged a more integrated approach to different sources of funding and hence a greater degree of information sharing. The greater degree of trust and cohesion in the development partnership in Tanzania has also led to a transformation in the way that commitment and projection data and shared. While previously, information on commitments and projections was provided in the form of confidential pledges made at the Annual Consultative Group Meeting, the government has now developed a mechanism for collecting full data on projections as part of the routine activities of the Public Expenditure Review process. This has facilitated prediction of resource flows by improving both the quality and availability of projections data.

The steady increase in budget support and pooled or basket funding and the decrease in project funding have also influenced the pattern of predictability of external resources. Efforts have been made to move away from rigid conditionalities towards the adoption of agreed actions that are jointly adopted and monitored and are an integral part of government's reform programme. In the FY 2002/03, the Policy Assessment Framework (PAF) of the Poverty Reduction Budget Support facility and the World Bank Poverty Reduction Support Credit (PRSC) were adopted. The PAF sets out a set of agreed actions on reform, which are monitored by development partners and the government on an annual basis. The broad assessment of progress in PAF targets provides the trigger for release of budget support resources.

Integrating donor funds into the government budget system

Improvements have been made to integrate donor funding into the government budget system. This integration hinges on the on-going and significant reforms of the government's public financial management system. They include: the Integrated Financial Management System (IFMS), the Public Expenditure Review (PER), the Medium Term Expenditure Framework (MTEF), the Public Finance Act 2001, the Procurement Act, 2001 and the Public Financial Management Reform Programme (PFMRP).

The Integrated Financial Management System (IFMS), which has been adopted and implemented in all government ministries and agencies, has strengthened the capacity of the government to record, monitor and control expenditures. It has also allowed government to introduce standardised coding to facilitate monitoring and tracking of expenditure through the budget system.

The consultative forums with development partners and other stakeholders, including the Public Expenditure Review (PER), the Medium Term Expenditure Framework (MTEF) and the Consultative Group Meeting, have been very successful in establishing an open dialogue on budgetary issues, giving comfort to all partners and stakeholders. This in turn has led to greater transparency and trust in the government financial management system. The Secretariat, which was previously housed by the World Bank, has now been shifted to the Ministry of Finance, thereby enhancing llocal ownership.

In addition, the ongoing implementation of the Public Financial Management Reform Programme (PFMRP), together with the Public Finance Act and Public Procurement

Tanzania

Act of 2001, has enhanced confidence in the government's financial management capacity and control processes.

All these undertakings have resulted in increased donor trust in the government. This has encouraged them to provide direct support to the government budget, through the PRBS and PRSC facilities and to support sector-wide basket approaches in the Education and Health Sectors, as well as joint funding of the Poverty Monitoring System, the Legal Sector Reform Programme, and Local Government Reform Programme.

While budget support and basket funds are already integrated within the Government's exchequer system, the greatest challenge remains in capturing resources that flow directly to projects being implemented by sector ministries and local government.

Harmonisation and rationalisation of processes

Multiple and overlapping processes, missions, reviews, meetings, studies and parallel systems place undue burden on both the government and the development partners; they also increase transaction costs and reduce national ownership of the development process. In order to reduce transaction costs, there is now a strong move to rationalise these different processes within the National Budget and Poverty Reduction Strategy framework, as well as within the government systems and structures.

It has been agreed that one way of supporting this objective would be to produce a rationalised calendar of government-donor processes and to identify 'quiet times', — periods when government and development partners agree to minimise meetings/reviews/missions, in order to allow the government space to focus on the budget formulation and attend to the Parliamentary Budget Sessions.

During the FY 2002/03, a study to identify the scope for rationalisation and harmonisation in the cycle of processes and consultative mechanisms, including the 'quiet times' was carried out. Based on this study and discussions with various stakeholders, a 'proposal for the Rationalisation of the Cycle of Policy Mechanisms and Consultative Processes', including a period for quiet times, has been developed (see Table 1 at the end of the paper).

In addition, efforts are being made to reduce transaction costs by encouraging joint missions and reviews. In May 2003, the World Bank and the UN held a joint review of their development assistance to the country. Moreover, the bilateral donors and the World Bank, who are directly supporting the budget through PRBS/PRSC facilities, are increasingly carrying out joint reviews and using the same assessment framework.

Capacity building for aid coordination and external resource management

The TAS and the multiplicity of reforms that have been launched since the mid 1990s, all place government firmly in the lead of the development programme. It is widely accepted that government leadership and ownership is one of the key factors that will determine the success of these reform programmes.

In the past, donor support to capacity building tended to focus on strengthening capacity in relation to the requirements of specific projects or particular donor systems, rather than general on capacity building to support the system. This, coupled with the fact that government did not articulate an overall vision of capacity building, has led to a somewhat weak capacity for aid coordination and resource management.

In order to improve performance and strengthen the voice of Tanzanians in managing external resources, capacity is needed within the civil service and at all levels of government — as well as within civil society to act as a monitor on government performance on external resources — across a whole spectrum of activities, including financial management, project management, and negotiation skills.

Now the focus of both government and the development partners is on building capacity in sector ministries, in particular, the Policy and Planning Departments. These departments are supposed to play a leadership role in coordinating all processes and in promoting the effective ownership of budgeting processes, such as the PER/MTEF, as well as in aid coordination and resource management of their ministries.

Institutional set-up for promoting donor/aid coordination and harmonisation

In order to guide the government and development partners in moving forward on improving aid coordination and harmonisation, and in implementing the TAS, a TAS/ Harmonisation Implementation Group, under the chair of the Ministry of Finance, has been established with joint membership of the government and the local Development Assistance Committee (DAC). The role of the group is to advise and oversee the implementation of TAS and harmonisation initiatives. In addition, a TAS Technical Secretariat, consisting of Government and DAC representatives, has been established to support the work of the TAS/Harmonisation Implementation Group by providing technical inputs. The secretariat is stationed at the Ministry of Finance.

Consensus has been reached between the government and development partners to institutionalise the process of independent monitoring of the development partnership in Tanzania. In early 2002, an Independent Monitoring Group, (IMG) under the leadership of Prof. Samuel M. Wangwe of the Economic and Social Research Foundation, was assigned this task.

The IMG undertakes a medium term assessment of progress made towards the goals of the development partnership as jointly adopted by both the government and development partners, and as set out in the TAS. The group is involved in setting targets and recommending solutions to overcome any difficulties in attaining these targets. The first IMG report was submitted at the CG meeting held in December 2002. The report provided some important suggestions for improving aid coordination and harmonisation.

Constraints, challenges and the way forward

There are institutional constraints, with the donors' institutional set-up not being supportive. In most cases, decisions have to come from head offices rather than local offices. Commitment is required, both by the local DAC and by development partners' head offices, to make practical improvements in this area.

The government's capacity to manage the various processes, implement the TAS and harmonisation initiatives is also constrained. Although capacity building is being addressed across a wide range of programmes, including the Public Sector Reform Programme and the PFRMP, efforts are needed to develop a comprehensive capacity building programme.

Parallel systems and structures for implementing development projects and programmes are a major challenge both to the government and the development partners. Development assistance is badly needed in Tanzania to tackle the greatest enemy, namely, poverty. However, for this assistance to be effective, and in order for the government to be held accountable for these funds, they should be delivered in a

Tanzania

manner that supports national public financial management systems and structures. While it looks easier to integrate new development projects and programmes within the government systems and structures, the real challenge is to integrate those projects and programmes currently operating parallel to the government systems and structures.

As recognised by the OECD Task Force on Donor Practices and the Declaration on Harmonisation, made by development partners at the February 2003 High Level Forum on Harmonisation, development partners should provide opportunities to rationalise the various processes, systems and structures. Some joint initiatives have started to take place, such as the joint portfolio review of the UN System and World Bank held in May 2003. In the medium term, efforts should be made to consolidate donor interventions within a common Country Assistance Strategy with a single cycle of reviews. Such a strategy would indicate comparative advantages between donors in sector work and modality.

Table 1. Proposed Annual Process Cycle

Quiet Time shadedà"	July	August	September	October	November	December	January	February	March	Apri	May	June
PRS	National Poverty & Human Dev't Report	JSA (Joint Staff Assessment)	***PRS Annual Review/ Progress Report***	Poverty Policy Week						Participatory Poverty Assessment field work	National Poverty Analysis published	
PER	On-going PER Meetings											
	Annual Work Plan Set	TOR Circulated		Deadline for Donor Submission of Projections Data				External Review	PER Annual Meeting/ External Review Report			PER workplan
			Sector PERs & Macro Studies conducted and finalized.				Cycle of PER Sector Reviews of PER Studies/ BGs/ Budget Inputs					
GOT Budget & MTEF	Government Budget Session				Budget Guidelines Preparation				Tax Task Force	**Budget and MTEF Preparation**		Government Budget
								Sector Budget and MTEF Preparation				
PRBS/PRSC			Budget Review /2		Annual Review/ Pre-Appraisal				Mid-Term Review/ Appraisals and Negotiations			
PRGF 3			IMF PRGF Mission		IMF Staff PRGF Report issued			IMF PRGF Mission	IMF Staff PRGF Report issued			
Consultative Group	CG Meeting (date to be agreed based on need)											
TAS/ Harmoni-sation Process		Annual Implemen-tation Report Issued	Group Meeting			Group Meeting			Group Meeting			Group Meeting