Part II
Africa

Retracing the path to sustainability

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Orthodox approaches treat international aid as a critical factor for redressing capital deficiencies (financial, physical and human) in poor nations, boosting local demand and supply and, through positive multiplier effects, establishing conditions for sustainable long-term growth. However, the reasons for providing aid are varied and complex. And the impacts and consequences are often unpredictable and unwanted. Donors expect aid to induce governments to adopt policies and programmes that lead to improved economic performance as well as facilitate the implementation of such programmes. The reality, however, is that aid is driven by other motivations.

- International aid is integral to donor countries' development cooperation policies, which in turn are defined by their foreign and security policies. 'Motivating factors' affect the administration and impact of international aid by undermining the ownership, and therefore the sustainability of the African development process.
- Donors use aid to create and foster the impression among recipient countries that it can help them but it has failed to improve the situation of people living in poverty; it has rather promoted the interests of donors.
- African countries are compelled to accept aid because of their continued weakness and economic vulnerability, and their urgent short-term needs.
- The economic justification for aid is based on a perceived inherent lack of capacity of the African continent to rescue itself from the quagmire of poverty and crisis.
- International aid and the conditions attached to it have undermined decades of collectively negotiated governance processes in Africa, destroying the values that held societies together in favour of outsider definitions of leadership and development. Aid is not, therefore, the appropriate vehicle to enforce 'good governance' on the continent.
- Measures introduced by the IMF and WB, such as Structural Adjustment Programmes (SAPs), the Enhanced Structural Adjustment Facility (ESAF) of 1987, the Heavily Indebted Poor Countries (HIPC) Initiative, the Poverty Reduction and Growth Facility (1999) and recently the Poverty Reduction Strategy Papers (PRSPs) have failed to achieve their objectives. The impoverishment of the majority of the world's inhabitants has continued apace. There is growing consensus on the failure of the policies of the IMF and the World Bank to reduce poverty and on the need for alternative policies that make a real difference to the lives of people living in poverty.
- Both aid and debt are working as instruments of control and domination of African countries by

developed countries. Debt servicing continues to drain public budgets, leaving aid investments without adequate support in the form of counterpart funds and additional domestic resources to operate and maintain facilities.

- Unsustainable debt and aid are the products of an aid regime that is driven by imbalances of global power. Debtor countries need to take more proactive positions and demand that donor countries use all aid to write off all loans to poor nations. We need a zero-debt-crisis development option: 'No Aid, No Debt'.

Motivations for Aid

In theory, international aid should redress capital deficiencies (financial, physical and human) in poor nations as well as boost local demand and supply. In reality, however, aid has a multiplicity of motivations. Some politicians and business people in donor countries promote it out of self-interest, in terms of securing foreign policy influence, constituency support or commercial benefits. Some aid officials and NGOs are also self-interested, in terms of career and financial opportunities. Some are guided by genuine humanitarian instincts or solidarity. The public who pay the taxes that fund aid often express their wish that it should be directed at poverty reduction and self determination. Civil society organisations (CSOs) in the recipient countries also expect donor aid to alleviate poverty and lead to sustainable development. In this paper, we explore the motives behind aid and the aid modalities that result – such as tied aid, conditionality – which undermine ownership and, therefore, sustainability of the African development process.

More than 30 years ago, the Pearson report stated that the purpose of international aid id was 'to help poorer countries move forward in their own way into the industrial technological age so that the world will not become more and more starkly divided into the haves and have-nots, the privileged and the less privileged.'[1] The use of the phrase 'poorer countries' means that donors were more concerned with the poverty status of *countries* than that of the *people*. As one commentator put it, 'Helping countries to raise their overall level of economic development' was the primary aim of aid. Countries first, and the peoples of those countries only indirectly, was the hallmark of bilateral aid. By 1975, the emphasis of donors had gradually shifted from assisting countries to helping their people. This was reflected in a British Government White Paper entitled *More Help for the Poorest*, which argued that British aid would 'give an increasing emphasis to the poorest countries (and, furthermore) the government accepts that more should be done to ensure that a higher proportion of British aid should directly benefit not only the poorest countries but the poorest people in those countries.'[2]

Yet, today, the evidence shows that 'Much of the aid spent in Africa in the last three decades has not demonstrably reduced poverty'[3]. For instance, export-led growth policies under SAPs may enable countries to earn foreign currency to repay their debts by promoting cash crops at the expense of food crop production. Thus, such policies benefit donors or lenders but contribute to domestic food insecurity and poverty.

Trade liberalisation opens up the markets of developing countries to international competition and, particularly, to imports from developed countries. Meanwhile, the devaluation of local currencies, which is an important requirement of SAPs, reduces the international purchasing power of developing countries and thereby limits their ability to buy from rich countries and increases their indebtedness.

Tied aid

Aid tying is widespread, with donor governments tying the goods and services of many private companies in their countries to the aid given to developing countries. Thus, aid tying is an important tool for corporate interests to pursue, establish, or consolidate markets in developing countries, in addition to insulating procurement procedures in recipient countries and national markets against competitive forces. In 1997, more than 50% of the US$26 billion provided in global overseas development assistance by European Union member states was tied to goods and services from donor country companies.

Technical Cooperation, which falls within the 'services' aspect of aid tying and involves the use of technical experts and consultants from donor countries, is based on a perceived shortage of expertise in recipient countries. It often results in 'solutions' being prescribed by these experts that fail to recognise local expertise and resources or take account of social, cultural and technical factors. The deployment of foreigners in development not only reduces the employment of local consultants but does little to foster the development capacity that so many donors talk about. The insistence on Technical Cooperation explains the failure of many development programmes on the continent and adds to the vicious cycles of econo-mic and technological dependency. In 1996, more than 25% of donor aid from OECD countries was given in the form of Technical Cooperation.[4] While aid tying violates European Commission (EC) law, member states have been slow to eliminate the practice.

Aid and unequal trade

Despite the claims of conventional theories, trade has failed as an effective tool for improving the economic performance of developing countries, even in terms of the facilitation of better access to the industrialised countries' markets. The policies regulating international trade are dictated by donor countries through the World Trade Organisation (WTO).[5] These policies continue to frustrate the attempts of developing countries to fully participate in and benefit from free trade. An analysis of the characteristics of world trade shows that it is unjust because industrialised countries impose measures that obstruct the entry of products from developing countries onto their markets,[6] resulting in unequal competition. Agricultural protectionism, for instance, which takes the form of tariffs, quotas and non-tariff barriers, such as sanitary laws regulating food and fibre imports, have devastating effects on developing countries. The Common Agricultural Policy of the EU, for instance, is much more discriminatory against food imports from LDCs than policies that had formerly prevailed in the individual member countries.[6] Global trade has also witnessed the continued deterioration in the terms of trade for raw materials, which are the main source of foreign currency earnings for African countries. Todaro (1997) estimated that the extra costs placed on the economies of the Less Developed Countries due to deteriorating terms of trade were more than US$1 billion per year during the period between 1955 and 1996. As a result, developing countries' world merchandise trade balances deteriorated steadily from a positive balance of US$55.8 billion to a negative balance of US$42.9 billion in 1994. Because developed countries benefit from this, they are not interested in changing the relationship whereby developing countries provide raw materials and rich countries concentrate on high-value manufacturing. Consequently, developed countries have put in place comprehensive barriers to frustrate the efforts of developing countries to break into the market of exporting value-added manufactured goods and services. This makes it more and more difficult to maintain sufficiently high levels of imports to sustain economic growth.[7]

Within the context of the exploitative arrangements fostered by current international trade regimes, international aid becomes an important instrument ostensibly for global redistributive justice, as it is hoped developing countries use aid to cover for trade losses. External factors such as unfair trade relations encourage African countries to use aid to close the trade gap. In this context, aid should lead to transformation, with developing countries achieving the capacity to transform from being raw material producers to being finished goods manufacturers. However, it is clearly not an objective of aid to contribute to the transformation of the economies of developing countries – and the external dependence that international aid engenders obliges African countries to continue importing manufactured products from donor countries. Thus, aid has helped to create conditions that perpetuate the uneven relation-ships and donors continue to maintain or extend their influence in recipient countries. The creditors have 'infiltrated' most African countries' policy-making systems, gaining enormous influence over their policy options. For instance, donor aid finances more than 50% of the annual budgets of Mozambique, Tanzania, Uganda and Zambia. Conditional aid, on the other hand, reduces the volume of regional trade among the underdeveloped countries[8] as they become dependent on donors and stop trading among themselves. In these different contexts, international aid has become an instrument of domination of African countries by creditors.

Aid and politics

During the Cold War, the political motivations for international aid were clearer. It was to fulfil political rather than transformational aims. Western countries conditioned their aid to African countries that espoused the principles of capitalism. Aid was generally used as a political tool to entice African countries to ally themselves to either of two divergent world views. For example, the US only responded to Mozambique's requests for concessional food aid after it had satisfied itself that Mozambique no longer had close links with the Soviet Union. Some years later, a US State department official explained his government's change of attitude when he said: "We have made it clear to the Government of Mozambique that our aid…is political. There are always conditions, although these are frequently not explicit. To improve its relations with us, Mozambique has…to show its independence from the USSR."[9] US support enabled Mozambique to negotiate World Bank membership.

France has successfully used aid to keep its former colonies within its sphere of influence.[10] This explains why it channels most of its aid to Francophone African countries. In 1990, for example, Francophone countries received 61% of France's total development assistance (Claus op. cit). Similar motives guide Britain's aid policies, which focus on Anglophone countries; Belgium also concentrates on its former colonies – Burundi, Rwanda and the Democratic Republic of Congo. The former colonial powers grant aid to influence the political and economic policies of their former colonies and to bring them in line with their own interests, and not necessarily to assist them transform and become independent, equal partners. At issue here is the quality and effectiveness of this aid rather than the quantity; it has largely enhanced the interests of the former colonialists and not those of the recipient countries.

With the end of the Cold War, political issues were relegated to second place behind economic issues; though political factors are still being felt at a different level as donor countries add new conditionalities, including good governance, transparency, participation, and respect for human rights. These conditionalities are now seen by critics as attempts by developed countries to impose their own subjective interpretations of these concepts to advance further their political interests.[11]

It is increasingly clear that the motives of international aid are not to promote growth and development in African countries. As Rudolfo (1998) puts it, 'Aid as a simple philanthropy does not exist, there is always some interest, although this does not seem to be explicit'.[12] In fact, the political motives for aid are related to the possible negative consequences 'of political, ideological and economic inequalities between African and developed countries for world peace and security'. Rodolfo stresses that because of globalisation political and social instability due to economic factors in one country easily spills over into other countries.

Conditionality

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

Until the beginning of the 1980s, western commercial banks continued to provide huge loans to African countries. But the debtor countries were not achieving levels of economic growth sufficient to enable them to repay the loans. It was in this decade that African countries, including Mozambique, declared their inability to pay their debts (Abrahamsson 1994). This marked the beginning of the debt crisis. To save their banks from bankruptcy, western governments focused attention on making African countries pay their debts. The IMF and World Bank played a critical role in facilitating this process by attaching conditionalities to their loans (Hanlon B, 1997:24). For instance, major bilateral donors could only provide aid to developing countries by agreement with the IMF and World Bank. These agreements presupposed that the country was implementing a SAP to stabilise its economy. It was hoped that once the economy was stable, the African countries would be able to generate sufficient money to pay off their debts.

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

While donors can guarantee markets for uncompetitive products, through tied aid, recipient countries cannot make the best use of financial resources they receive as tied aid forbids them from sourcing goods from markets other than those of the donor.[13] Even tighter limits are being set for the use of grants (Mende, 1974:69). A negative aspect about tied aid is that, recipients are obliged to buy spare parts from the donor country, even when the prices are not competitive. This continues even after the concessional funding through which the equipment was acquired has expired.

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

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

Undermining ownership, deepening the aid/debt trap

Since the advent of the African debt crisis in the 1980s and the onset of various debt relief initiatives, development aid has had a strong link with debt. Over the past 20 years, international aid has been diverted from activities that could have assisted in building the capacity of indebted countries to grow and develop to the repayment of their loans. Aid has become a tool of primitive accumulation on the part of the donor countries. Push and pull factors have created and strengthened the conditionality regimes of SAPs, leading to the deepening and intensification of both the debt and aid traps for Africa. Although debt and aid issues are generally treated separately, the two have strong underlying synergies that undermine Africa's development in the long term. As acknowledged in the New African Initiative, the limit of donor driven debt relief initiatives has now been reached. A new partnership in the international community is required to ensure that Africa removes itself from the dependency syndrome that the aid regime imposes.

There has been unwillingness by the donor countries to solve the African debt crisis in a meaningful, comprehensive and definitive way. The HIPC Initiative continues to be totally inadequate and unable to solve the problem. HIPC itself indicates that countries will be deeper in debt one year after the so-called completion point.

The Third United Nations Conference for Least Developed Countries held in Brussels in May 2001 made clear this point.[14] The open call made by the representatives of the Least Developed Countries (LDCs) for debt cancellation met only with some promise for more aid. This was in spite of the fact that the

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Conference had already accepted that the external debt overhang in the majority of the LDCs (the majority of which are in Africa), continues to constitute a serious obstacle to their development efforts and economic growth prospects. Scheduled debt service takes up a large part of scarce budgetary resources (more than 40% in the case of Zambia and Tanzania) that could be directed to productive and social areas, and harms the internal and external investment climate. The Conference also noted that the situation is aggravated by external financial turbulence, volatility of export earnings, and increases in the price of essential imports. The inability of the donors to address the debt crisis of the LDCs was a clear testimony to their unwillingness to find a solution:

(a) Over the years, Sub-Saharan Africa's debt has grown to be graver than that of other regions of the world in three aspects. Firstly, the ratio of Africa's total debt to total export earnings has been rising more rapidly than those of other regions, becoming the highest in 1987. Secondly, the ratio of Africa's total debt to Gross National Product (GNP) has grown rapidly, becoming the highest in 1986. Thirdly, despite incurring the highest growth rates of borrowing, African economies have grown more slowly than those in other developing countries.[15]

The long-term viability of Africa lies not so much in increasing its access to more development aid or loans, but in using the external financial resources towards creating and enhancing productive capacity.

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

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

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

Following the launch of HIPC in 1996, 41 countries were identified as effectively insolvent and, therefore, eligible for debt relief. However, as we approach HIPC III, the real achievements in terms of debt stock reduction and relief in African and other developing countries are insignificant. By June 1999, a minuscule 2.6% of the debts of the 41 countries had been written off and four countries – Uganda, Mozambique, Guyana and Bolivia – had received partial debt relief. Relief to Uganda and Mozambique was negligible, reducing debt service from US$166 million to US$149 million and US$113million to US$110 million respectively. *In fact debt servicing by the poorest most indebted nations of the world rose from US$25billion a year to US$28billion*

Table 1 Sub-Saharan African Debt Trends, 1980-1998

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

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

in 1998. When Mozambique became the first candidate under the HIPC initiative in 1996, it was thought that the debt relief package would finally liberate the country from bondage. But, by 1998, Mozambique, saddled with a US$6 billion debt, found itself repaying more than US$100 million a year in debt service. The actual relief amounted to little more than US$10 million a year, leaving Mozambique to channel more than 20% of its foreign exchange earnings into debt repayment.[16]

(c) The current HIPC Initiative does not address debts that are owed by HIPC countries to non-Paris Club creditors and which have not been rescheduled or serviced at all for a long period of time. Consequently, the debt-sustainability ratio proclaimed to be the measure of indebtedness is misleading, since the actual debt situation of these countries is worse than is apparent. Even if all the Paris Club and multilateral debt were to be eliminated, it is more than likely that some HIPC countries who owe large sums of money to other HIPC countries (e.g. Tanzania being a creditor to Uganda) and non-Paris Club countries would remain in severe indebtedness, since there is no programme to address non-Paris Club debts.[17]

(d) As noted in a Report to the United Nations Commission on Human Rights[18], Zambia's debt would not reach 'sustainable levels' until after 2005, according to the IMF's own analysis. The IMF had, in early September 2000, proposed several options for smoothing post-HIPC debt service obligations:

- *Front-loading of interim assistance under the initiative by 75%.* The debt service under this option would still be above the current debt service and would not, therefore, address the objectives of the HIPC initiative.
- *Rescheduling the Structural Adjustment Facility (SAF) Loan to the IMF.* This would only shift the 'hump' of the debt burden to a different period in future and a HIPC initiative loan would not be subject to any further debt relief ; and
- *Blending HIPC initiative grants and loans, and reducing Zambia's debt to export ratio to 11.7% in 2001, and 8.5% in 2005.* This variant would leave the debt service-to-revenue ratio at 23% in 2001, and since it will not fall below 15% until 2007, it is still insufficient.

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This is the simple reality in which Africa finds itself. In its unwillingness to find a solution to the clearly identified problem of debt, the North has failed Africa. It is now a challenge for everyone, most of all for Africans, to resolve this dilemma and not take it as given.

The aid distortions

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

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

Current evidence indicates that, given that most current LDC debt is actually Public and Public Guaranteed Debt (more than 90%), the pressure on the Government budget for loan repayments is extremely high, with as much as 40% of Government budgets being directed to loan repayments. Here again, development aid comes in for budgetary support aimed at debt service. It has been calculated that, in the case of Zambia, the total amount of international aid inflows almost equals the debt service due.

Since 1990, the following patterns of the relationship between debt and aid have been apparent:

- Multilateral debt repayment problems have largely been met by refinancing of old loans. IDA resources, the only real concessional resources Africa can secure for development purposes, have been used to liquidate the old IBRD (the non-concessional window of the World Bank) loans and the old IDA loans. The use of IDA resources for such purposes excludes the use of these resources for creating new wealth and viable economies.
- Aid inflows into many African countries have followed the path of debt service. Thus donors who are also creditors provide aid that then can be used for loan repayments. Various studies show that both official and multilateral disbursements are highly correlated with total debt service. UNCTAD has shown that the more debt service a country has to make, the more official finance it will receive.[19] Under the HIPC Initiative, contributions to the HIPC Fund (e.g. in Uganda) were based purely on matching loan repayments until the country was expected to become sustainable. This means that loan repayments were at artificially higher levels than the country's ability to repay.
- It has been argued that one of the possible reasons for creditor countries refinancing loans is to avoid the embarrassing build-up of arrears in their favour in the debtor countries, as well as to avert growing risks of documented development failure associated with the creditor country. The avoidance of arrears however has serious implications:

  Firstly, aid is used to maintain loans that would otherwise not be on the books, because they would be unpayable and would have had to be written off. This provides credibility to the idea that international aid is used as a form of maintaining the indebtedness of African countries.

  Secondly, aid used for loan repayment undermines the very essence of 'aid' as *development assistance*.

Thirdly, the aid-debt link exonerates the creditors from blame for the failures of their development interventions and holds the debtors responsible.

These implications are more serious than the donors or creditor governments simply giving with one hand and taking away with the other (Killick and Stevens, 1997). The conditionality imposed by the IMF/ World Bank, to whom donors have surrendered their decision-making power, does not just undermine Africa's development efforts but actually reverses development gains. For example, through the removal of subsidies and the commodification of essential common goods, such as water.

The Mozambican case starkly illustrates this. A confidential World Bank report of March 1998, never disclosed to parliament or civil society, shows that the Mozambican government agreed to implement several macroeconomic conditions, including the privatisation of municipal water, in order to receive HIPC debt relief. Public outcry on the terms of the conditions for debt relief, particularly through the Jubilee 2000 movement, led to slightly greater concessions in mid-1999 but the bottom line is that debt 'relief' costs millions of people in Mozambique their access to safe water. Average debt repayment was expected to decline from US$114 million a year between 1995-98 to US$73 million a year between 1999-2005. To get the additional relief, however, the government agreed to implement 71 new conditions imposed by the IMF, including a prohibition on resurrecting the cashew-processing industry using traditional industrial policy tools. Aid flows to cover debt repayments under these circumstances undermine the sovereignty of African countries.

Despite the recent focus on good governance as a condition of aid, the whole aid system undermines good governance. Aid has tended to enrich the political and economic élite, to strengthen central, as opposed to local, government institutions, to benefit men more than women, and urban more than rural areas. In so doing, it has increased polarisation among different groups in society. Again, as noted by the World Bank, 'a typical poor country receives 90% of GDP through international aid, but the poorest quartile of the population consumes only 4% of the GDP'[20] and aid reaches less than 10% of the African population.

Development aid has undermined Africa's own development ideas. Initiatives that have been stymied include: the Lagos Plan of Action of 1980; the Alternative Country Plans developed by Zambia and Tanzania when they broke relations with the IMF in the mid 1980s; the UN-led African Alternative to Structural Adjustment of 1989. These and other programmes, through which aid recipients tried to develop and formulate new development agendas, promoting African self-reliance were not taken seriously. They were denied development finance in favour of SAPs, which have been disastrous for Africa. These issues must be fully addressed if Africa is to break the impasse of its underdevelopment. Will development aid stand up to the imperatives of the New African Initiative and the African Union as a means of African development?

In countries such as Tanzania and Zambia, the failure of aid (among other things) to address development problems has led to calls for more aid which, instead of addressing the problems, has perpetuated dependency. The 'Aid Trap' has been entrenched by African governments who, out of political expediency, opt for short-term answers that tend to have adverse long-term developmental impacts.

Since 1993, the Reality of Aid and other studies have shown that developmental benefits could have been achieved if aid had been well-directed, especially towards enhancing local productive capacity and stimulating local demand for goods and services. Africans are becoming increasingly aware of the underlying factors that prevent aid being as effective as they have been led to believe it would be.

Aid/debt synergies suit creditors

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

a) Aid is used to create and dismantle debt. Both are controlled by the creditor countries without the participation of the debtor countries. This goes against the rhetoric of partnership.

b) Both aid and debt negotiating mechanisms use conditionality to activate actions that benefit the rich countries while undermining local thought processes.

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c) The so-called 'Aid Syndrome' is in fact an 'Aid Trap', similar to the 'Debt Trap'. The Aid Trap makes it difficult to envisage development without aid. It is made up of the cycle of tied aid, technical assistance, and lack of activities for sustainable long-term development, which then reproduces the aid cycle, increases the productive capacity of donor industries and increases the aid labour pool. In the process, it undermines development in debtor countries, which then require more aid.

d) Debt is a more visible surplus extraction mechanism, through which people are made to pay for what did not benefit them. That surplus is consumed by the donor country and becomes very profitable when invested through the aid machinery.

Can there be a trade-off between debt and aid?

From the foregoing, and on the basis of experiences over the past 30 years in Africa, the following measures are suggested to redress the situation:

- Debtor countries should form a Debtor Cartel to repudiate loans and establish the basis for a more equitable and democratic framework to negotiate debt and aid exit mechanisms, as well as aid/debt trade-off mechanisms.
- Donor/creditor countries should use *all* aid to write off *all* loans to poor nations and so create a zero-debt-crisis development option: 'No Aid, No Debt'.
- Donor countries should reduce and eliminate trade barriers to manufactures of poor countries, to increase their external viability in the context of fair trade.
- New global mechanisms to redistribute financial resources from the richer to the poorer regions of the world, such as a global tax on currency transactions – a Tobin-style tax – should be developed under the UN system to replace current aid regimes.
- HIPC debt relief must be de-linked from the PRSP process. Real national ownership of poverty reduction frameworks can only happen if the threat of 'conditionality' by the IMF and the World Bank is removed from the backs of vulnerable governments. Linking debt relief to the preparation of the PRSP removes the 'autonomy' of countries to come up with a framework that clearly makes the connection between macroeconomic policies and poverty reduction goals. This requires time, research, and exhaustive consultation with broad sectors of their populations.
- The IMF Poverty Reduction and Growth Facility (formerly ESAF) should be abolished, since it is merely a financing facility paid for by bilateral donors to clear up the debts owed by HIPC governments to the IMF. The Fund can clear up debts owed to it through gold sales (revaluation process) rather than through voluntary contributions from bilateral donors. Bilateral resources going to the PRGF should instead go to the African Development Fund and the African Development Bank for the institution to foster African development.
- The United Nations should establish a fair and transparent arbitration mechanism on debt. Such structures as the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards, the Permanent Court of Arbitration (PCA) in The Hague and the United Nations Commission on International Trade Law could have their mandate expanded to include arbitration on debt and insolvency laws.

While international aid should bring development to Africa, in reality both aid and debt are working as instruments of control and domination of African countries by developed countries. Donors use aid and debt to advance not only their commercial interests and diplomatic and political objectives, but also their values and cultural hegemony.

If the sovereignty of the African continent is to be restored and poverty attacked meaningfully, the synergy between debt and aid needs to be better understood, with positive aspects being strengthened, while negative ones are done away with. Both debtor and creditor countries should work towards strengthening the UN System and establishing other global governance institutions, such as the Global Central Bank, a Global Investment Trust and Transfer Mechanism and a fairer WTO, as suggested by the UNDP Human Development Report (1999).

Governance and aid

As discussed above, external aid cannot enforce appropriate governance in Africa because it has no respect for indigenous concepts of leadership, destroys the ideas that bind societies together and undermines pre-existing governance processes on the continent.

During the past decade, the terms 'governance' and 'aid' have become intrinsically linked in the development discourse of Africa. This link was primarily born out of the push by bilateral and multilateral aid donors to make their definition of 'good' governance a pre-condition for continued development assistance. This concept and form of governance was thus imposed on the development agenda of most African countries as a consequence of their need to obtain external aid. By providing tied financial support, aid donors forced African governments to adopt and adhere to the values of their [donor] governance styles while at the same time beginning to interrogate donor policies and their use of power.

Aid has had some positive achievements for governance on the continent – it has paid for many conferences, forums, briefing seminars and national debates on governance in Africa. Aid has also made the most effective contribution to gender equity and recognition of women within post-independence economies, and the development of legislation for their empowerment and emancipation in most African countries.

However, the scope for improving governance through external aid is limited because of the different understandings of good governance, the lack of ownership of the development agenda by aid recipients, and the constraints of the conditionalities that accompany funding. This argument is based on the experiences of African countries over the decade following the emergence of the donor-driven good governance agenda. Examples from three Sub-Saharan African countries – Zimbabwe, Uganda and Nigeria – reflect these aspects of the relationship between governance and aid, and the polarisation between some donors and the governments of recipient countries. For aid to impact positively on governance and development on the African continent it must complement and reinforce indigenous concepts of leadership.

Perspectives of Good Governance

(a) The Views of African Civil Society

An overwhelmingly negative view of the effects of aid was expressed during the 2001 Harare Conference on Reality of Aid. This is not surprising. As Africans continue to consolidate their autonomy of political thought on governance and aid, views from the South have become increasingly polarised from those of the 'cooperating partners', that is the donors of the North. African civil society organisations and intellectuals speak out with frustration about having to accept or use only externally defined concepts of good governance, encompassing inclusive government, democracy and the rule of law. African political theorists[21] have expounded on this point, describing the variety of

Box 4 The negative views from the July 2001 RoA conference in Harare:

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

RoA report, Harare (2001)

condescending approaches adopted by the North towards good governance in the South.

In the Khartoum Declaration of 1988 , Africans defined governance priorities as:

- the promotion of human development
- restoration of basic freedoms and human rights
- overcoming political instability and intolerance and
- curtailing over-centralisation of power.

The Addis Ababa Declaration of the OAU Heads of State in 1990 defined governance in similar terms. Its constituent elements were accountability of leadership, consolidation of democratic institutions and popular participation, and a development model that was self-reliant, human-centred, sustainable and based on social justice. This was complemented by the African Charter for Popular Participation in Development and Transformation drawn up at Arusha, also in 1990. According to the Charter, the elements that made up governance included the following:

- freedom of association
- press freedom
- rule of law
- accountability of leadership
- decentralisation in decision making and
- economic justice.

African civil society has equally redefined good governance in citizens' own words. Listening to citizens and the élite within civil society through a Commonwealth Foundation report,[22] *Citizens and Governance: Towards a Good Society,* newer definitions of the concept emerge according to the aspirations of the people. In the report, the citizens saw governance as a *'… collective decision- making and action in which government is one stakeholder among others'.* [23]

This definition of governance looks to the state as facilitator and provider of services and as an equal stakeholder in the national governance agenda. The emphasis is on a state that is responsive and inclusive, and which derives its power from the people. In such a state, citizens are guaranteed freedom of association and participation. Time and again, *'citizens have tended to retreat from the public domain, leaving their governments to govern, but paying little attention to what their governments do.'* It is important that there is complementarity between the roles of the state and those of citizens.

Basic needs of citizens '*include food, water, shelter, education, sanitation and health. Without having these needs met, people cannot lead a decent and dignified life.*' [24] Equally important are '*respect for the fundamental human rights of all citizens, social justice for all … freedoms of speech, information, association and assembly.'* Such needs encompass respect for culture and heritage, including traditional systems of governance and justice, and the values of fellowship, cooperation, mutual help and support, which build up social capital and a culture of caring and sharing in the community.

This definition stretches to '*Communitarian*[25] *and associative values and norms based on tradition and cultural heritage…*' that uphold traditional systems, patterns of governance and justice. Another aspect of association is the values of fellowship, cooperation, mutual help and support, which build up social capital.

Citizens' view of participation is that they are consulted on a regular basis; their voices are heard in making policies and decisions that affect them. Public officials also listen to the people regularly, not just when their votes are needed. The government and public officials are free from corruption.

Ordinary citizens rate basic needs as most important to them – particularly the tangible provision of economic goods and social services. But the less tangible needs are important because they are central elements of the social capital that provides the alternative to state social support.

Despite years of conditionality, northern perceptions of good governance in Africa – based on a donor-centred development agenda and the idea of multi-party democracy with its 'winner-takes-all' mentality – have not supplanted a consensus that cuts across economic, racial, ethnic, religious, cultural divides and is considered authentic for mobilising African civil society.

Given the failure of dominant northern-dominated approaches on world population, economic growth, inequality, poverty, and globalisation to stimulate localised development and poverty reduction, Africa must examine the polar divide in the definition of good governance at the highest levels. With the strengthening of civil society, policies need to be re-defined to localise development, enhance people's participation and meet their aspirations. Cooperating states, heads of governments and international financial institutions need to genuinely commit themselves to consensual terms of governance and aid, as stated in the Arusha Declaration (1990).

Through its publication *Democratic Governance in Zimbabwe: Citizen Power*, the ACPDT provides another definition of democracy in Africa:

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

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

From the foregoing, it can be noted that the official and popular definitions identify factors that constitute governance and also those that contribute to 'good governance' from an African perspective. Simply put, governance consists of mechanisms, processes and institutions through which citizens and groups articulate their interests, mediate their differences and exercise their legal rights and obligations. Thus, it is not only the state and its institutions that are involved in governance, civil society and its organisations play an equally important role. Good governance ensures that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable people are heard in decision-making over the allocation of development resources (UNDP, 1997).

(b) A Dominant Group View on Good Governance

From the late 1980s, The World Bank[27] defined good governance as:

> *"the manner in which power is exercised in the management of a country's economic and social resources for development.[28]*

What followed was the propagation of this western view of governance as democracy and observance of the rule of law, which became synonymous with sound development management, globally. However, as Barya[29] (1993) noted, western countries were not genuine about encouraging good governance in the form of democracy, rule of law and popular participation or inclusive government, as shown by their support for dictatorships in Zaire, Liberia, Uganda and Kenya in the 1980s and 1990s, which was under the guise of fighting communism. What this means inevitably is that western countries only render support when it suits them.

In the 1980s, World Bank perceptions of 'bad governance' and the economic instability in Africa took centre stage. World Bank officials who had pioneered the structural adjustment 'solutions' breathed easy on reaching the conclusion that poor governance contributed to the lack of anticipated economic growth in these countries. Thus arguments supporting the need for balanced macroeconomic fundamentals began to be entrenched as key elements for good governance.

Box 5 ACPDT's Community Research

Africa Community Publishing and Development Trust's (ACPDT) [26] community research summarises this concept well.

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

Recommendations from Democratic Governance in Zimbabwe: Citizen Power*, ACPDT 2000*

These conclusions not only assuaged the conscience of IFIs with regard to the huge resources already poured into Africa with insignificant success, they also provided new challenges and direction for the next dispensation of aid. Armed with the conviction that poor governance should be blamed for lack of anticipated development in poor countries, IFIs and donors decided to set political conditionalities (shaped by their conception of democracy and pluralism) as opposed to merely economic ones, for disbursing financial assistance to African countries.

DAC has identified four key components of good governance, as follows;

1. The legitimacy of government, which depends on the existence of participatory processes and the consent of those who are governed.
2. The accountability of both political and official elements of government for their actions, depending on the availability of information, freedom of the media, transparency of decision-making and the existence of mechanisms to call individual institutions to account.
3. The competence of governments to formulate appropriate policies, make timely decisions, implement them effectively and deliver services.
4. Respect for human rights and the rule of law to guarantee individual and group rights and security, to produce a framework for economic and social security and to allow and encourage all individuals to participate.[30]

Most of the above descriptions coincide with the southern requirements of responsive government: a vibrant civil process, polity, public trust, equity and justice, dignity and security. These guide states to the core function of creating an enabling environment for private production and wealth creation, which should provide citizens with economic space to pursue their associated needs, achieve self-determination and participate in governance.

One of the points of deviation from southern citizens' views of good governance, which is people-centred, is on the definition of democracy and pluralism. In the post-Cold War era, there was a notable shift in the perception and attitude among the rich developed countries and international financial institutions regarding the necessary institutional framework for economic development in developing countries. Countries with authoritarian and neo-patriarchal systems of rule would be penalised, while those who embraced democracy would be rewarded with development assistance and loans. There is, therefore, a sense in which there is an implicit political conditionality to loans, investment and aid. This is at least in so far as governments are required to meet certain conditions of good governance, such as observance of the rule of law, accountability, transparency and political pluralism. It is particularly important to examine how the imperative of meeting the basic needs and rights of citizens of countries receiving aid is undermined by externally imposed notions of multi-partyism. From the African experience, it is clear that multi-partyism has undermined inclusiveness and the participation rights of citizens by creating artificial divisions between political interest groups.

When the state fails to address basic needs and there is inadequacy in public and social service provision, women suffer the most as they take over the responsibilities of the state. As a result of the failure of the state to address the inequalities exacerbated by macro economic reforms, the rich become richer as the poor become poorer. In so far as aid has been a powerful influence on the level of social provision and on developing country approaches to equity and poverty reduction, aid donors must share the blame where gender and other inequalities have worsened.

In conclusion, there has been little disagreement, generally, over what constitute the core elements of governance from either the Africans or the dominant group. The institutional, political and economic elements are key ones in any system of governance. Where the controversy has mostly arisen has been on what constitutes 'good' and 'bad' governance, and over the linking of governance to multi-party democracy as a conditionality for receiving aid.

The pros of development assistance

Development aid has been identified as an important element of real economic development and growth of investment in many developing countries. Many world leaders now consistently speak out against poor governance by aid recipients. In 1998, the UN Secretary General, Kofi Annan[31], wrote:

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

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

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

However, CSOs have had limited success[32] in Africa due to the conditionalities applied to aid funding. At the RoA meeting held in Harare, 2001, participants admitted that issues of gender awareness, voter education and safeguarding the environment had been put on the agenda through aid. By funding cultural exchange, fora and discussions, NGOs were able to create awareness of the demands of citizens on the government. This is an example of aid opening up political space to allow citizens to participate in the search for better governance and ultimately better lives for all.

Aid to Sub-Saharan African countries has benefited women's organisations. Putting gender on the development agenda has seen the empowerment of women and women's groups throughout Africa. Sometimes it is argued that these gains are superficial because the condition of women has worsened in the last 20 years in Africa. While this might be true, it does not detract from the fact that non-partisan political gains of women in Africa in relation to their recognition in laws and the repeal of discriminatory legislation are visible.[33]

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

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

Organising successful reform and empowerment processes that transform society gives rural women

Box 6 Benefits of the governance and aid agenda

Some beneficiaries of the Governance and Aid agenda are the struggles for:

- Gender equity
- Environmental preservation
- Civil Society Organisation
- Human Rights and
- against Racism in Africa.

Interviews, ZWRCN (2001)

> ***Box 7 Areas of successful utilisation of aid by CSOs*:**
>
> - National briefing seminars – providing information, strengthening relationships and developing positive attitudes.
> - Local radio programmes – informing and giving voice to people's concerns.
> - Local newspaper projects – for reaching un-reached groups and providing them with diverse views.
> - Action against corruption – watchdogs of transparency through NGOs.
> - Protection of human rights – support to the police, courts and correctional facilities. To produce fair and just adjudication. Support for independent judiciary – i.e. from interference by the State or any others.
>
> *(Osborne, 1993)*

greater visibility and inculcates gender equity. This has been possible mostly through external aid. Examples can be found in Uganda's Literacy and Basic Education programmes (LABE) where an NGO was assisted to partner the government.

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

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

Under the current aid regime, emphasis is more on macro than micro-level structures: issues such as Balance of Payments (BOP), macroeconomic policy adjustment (fiscal, monetary, institutional, inflation, etc), from which the people at the grassroots do not directly benefit. Donors are also attracted to large macro-level projects, as they are easier to monitor.[34] Consequently, problems affecting citizens living in poverty are not addressed.

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

African leadership needs to review decision-making processes to ensure that the participation needs of the people are met. Where people participate they enrich the framework of decision-making. With adequate momentum such people-focus will overcome some conditionalities of aid and ensure that resources are used in a responsive manner. Thus, rich ideas from each country need to be crystallised and purposefully supported in Africa, for meaningful negotiations with aid donors.

CSOs have played a significant role in contributing to good governance in Africa through their participation in the governance structures and as intermediaries for grassroots participation. There is a need for improved ownership, leadership and negotiation for appropriate development plans and programmes, and improvements in governance in aid recipient countries. While generally acknowledging that aid has not been successful in curbing the spate of 'bad governance' in many African countries, the blame is on both the donors and the recipient countries.

The PRSP policy framework

With persistent pressure for change growing, as the world entered the 21st century, poverty reduction became the new focus for IMF/World Bank lending programmes. This approach, built on the principles of the Comprehensive Development Framework, implied that countries would design their own development strategies focused on poverty reduction as well as compile a Poverty Reduction Strategy Paper (PRSP). In principle, PRSPs were a) to be developed in a participatory way, b) to be nationally owned and c) to lay out a policy framework and agenda for tackling poverty. In terms of their principal defining characteristics, PRSPs:

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

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

Impacts of PRSPs

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

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

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

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

The PRSP is an innovation in internationally financed development initiatives, born out of a recognition of the inadequacy of previous initiatives to address the core problem of poverty, given that people living in poverty had not been part of the process to address it.

Participation is defined as 'a process through which stakeholders influence and share control over development initiatives and over the decisions and resources which affect them'.[35] Stakeholders here include those directly affected, for example the poor, and those indirectly affected, for example debtor Governments at national and local levels, NGOs, private sector organisations, and donors. However, other elements that need to feature prominently are dual accountability, trust, mutual respect and confidence; transparency, equal power relations and access to information; dialogue and setting of common goals.

The Experience of Tanzania and Uganda

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

One of the main features of the enhanced HIPC is the mandatory requirement of eligible countries to prepare a PRSP. Most African countries have for a long time drawn up their own homegrown Poverty Reduction Strategies (PRS) as long-term planning tools based on local priorities and aspirations. Tanzania produced a PRSP in spite of the fact that it already had several policy-planning documents aimed at poverty eradication. These included:

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

Tanzania developed its PRSP through broad consultation with national and international stakeholders, in relation to the enhanced HIPC Initiative, both as a condition for accessing debt relief and as an accountability tool for using debt relief savings.

In Uganda the government's economic programme has focused on poverty reduction through economic growth and through increased and more efficient delivery of public services through decentralisation. The main guiding policy and planning document is the Poverty Eradication Action Plan (PEAP) formulated in 1997 and which, after substantial revision in 2000, became Uganda's comprehensive development framework.

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

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

Through PSPSs, locally owned processes for planning and accountability are subordinated to externally driven initiatives that add little value for recipient countries, while offering donors an extra layer of control. While PRSPs ostensibly offer a window of opportunity for civil society participation, they add a major burden to already stretched national authorities in countries that already have poverty strategies. Where capacity is lacking, insistence on rigorous participation and ownership can slow down, rather than enhance, debt relief and the grants and loan-contracting processes. Consequently, many governments resort to consulting, rather than requiring civil society to participate in the preparation of the PRSPs. In most cases the speed with which 'interim' and 'full-scale' PRSPs have to be developed militates against meaningful participation. Meetings are held with little notice and no time to review, internalise or own the documents, thus denying effective input from civil society.

It is for the above reasons that CSOs have taken the position that the HIPC debt relief should not be conditional on the preparation, let alone endorsement of the PRSPs. The two should be de-linked.

Properly done, participation by, and consultation with, civil society would be mutually beneficial. It has the distinct potential to increase civil society's awareness of the initial plans and strategies of government. At the same time, it can also help draw the attention of government to priorities of impoverished communities. In this way, consultation with civil society can change the allocation of resources in favour of those living in greatest poverty. While participation is a legitimate demand, it does not always guarantee consensus on the priorities of people living in poverty, except for such broad poverty reduction goals as improved education, improved health care services for all and, in general, sustainable economic growth and increased incomes. In many ways, Uganda's PEAP reflects the consensus reached during the preparation of the document.

The requirement of WB/IMF endorsement of PRSPs has been seen in some circles as amounting to a veto on national approaches to development. It has been long acknowledged that foreign 'owned' frameworks have not achieved much by way of poverty alleviation in the past two decades. What is critical is for the countries affected to pursue strategies that are free of pressure from donors (such as The Lagos Plan of Action, African Alternatives to SAPs etc).

The development of Uganda's PEAP, unlike that of the PRSP, was inclusive and civil society was consulted widely. Most of the civil society recommendations were incorporated into the final PEAP report and helped to build a consensus around poverty eradication as a priority issue. This consensus between government, civil society and donors did not exist before. Under the Uganda PEAP, the bulk of the government budget was to be focused on poverty eradication and maintaining high levels of economic growth – assessed in terms of its effects in reducing poverty. Expenditures for the Priority Poverty Areas (PPAs) would be ring-fenced to protect them from routine budgetary cuts or diversion of funds when emergencies or unexpected expenditures occur.

However, Ugandan CSOs were excluded from the discussions that turned the PEAP into the PRSP; even the language used in the two documents was changed to suit the IMF/WB. The few meetings that took place between the IMF/WB missions and CSOs were like verification meetings to find out the level of civil society participation and the quality of inputs.

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

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

Africa

Box 8 An example of CSO participation in Uganda

Civil Society Participation in the PEAP

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

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

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

The Uganda experience shows that government commitment to such consultations is essential. In spite of the strict guidelines that compel governments to involve civil society in PRSP formulation, most African governments are not yet ready to accept CSOs as serious stakeholders in policy planning.

(In the case of Uganda, the debt stock declined slightly under the HIPC initiative, from US$3.54 billion as at March 2000 to about US$3.1 billion during the second half of 2000. Bt June 2001, it was back up to US$ 3.57 billion, due to new borrowings and disbursements received through the PEAP/PRSP. In addition, arrears of interest continued to accumulate on the non-OECD credits, which are not serviced as per the debt strategy and the HIPC conditionalities. Uganda's debt sustainability, therefore, hangs in the balance as the debt burden is destined to increase. What is important is to ensure that the aid grants and loans are effectively utilised to improve the country's debt sustainability.)

The macroeconomic gains that countries such as Uganda and Tanzania are continuing to register at the national level are not reflective of the realities on the ground, where poverty is still widely and deeply felt. The following points are worth noting in relation to PRSPs:

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

We are agreed that strategies are needed for poverty reduction but they should be owned by the countries that are going to use them. Currently, PRSPs are 'needed' because without them, debtor countries cannot access debt relief according to the IMF and World Bank's HIPC lending procedures. Countries need strategies to help combat poverty; they do not need conditionalities like HIPC that *perpetuate* their poverty.

Macroeconomic measurements as indicators of economic growth have long since lost credibility among the impoverished people who constitute the majority of African populations. This is because, as mentioned earlier, an increase in GDP does not necessarily represent a reduction in poverty and increase in social capital. The answer to the 'poverty reduction' dilemma lies in the implementation of poverty reduction strategies formulated by developing countries in consultation with as many representative stakeholders as possible.

Debt relief must be de-linked from the PRSP process and a consensus/commitment reached by donors and recipients that resources freed through debt relief be directed towards social development. The exclusive role of monitoring poverty reduction programme performance should be given to a wider constituency, including civil society as well asthe World Bank, IMF and UN agencies

Policy observations

We can conclude that it is not a question of whether or not Africa needs aid; it is a question of what form this aid takes and what alternatives are available. We need as a continent to look at the process of accessing or receiving aid, the management of the process and the ultimate outcome.

We need to change the aid regime to a 'win-win' situation in which the giver and the recipient are satisfied and ultimately contribute to Africa's development. As Africans we need development aid and we need to define what we mean by our own development, set our own agenda and then give the donor countries our prescription.

If aid is to continue:

- Recipients should be part of the systems that govern aid.
- Aid recipients should be able to manage the processes of the aid regime.
- The issue of conditionalities and ownership should be addressed by the giver and the receiver being open to each other.
- For the sake of ownership, recipients should be involved in the proposals for development aid. The same should be done for the conditionalities.

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

We also have to live within our means and be aware of the limitations and have these addressed, at the same time being mindful of our depleting resources and maximising our opportunities. Africa and Africans need to be more productive and use the resources more efficiently, by redirecting aid to development, concentrating on that which we can do best and having systems that are home-grown and sustainable. Sustainability also requires a balance between aid expenditures on productive and social sectors to secure long-term development sustainability of the social sectors and on the macro and consumptive levels.

How do we reduce Africa's dependence on aid? One way is by adhering to conditions that uphold traditional systems, patterns of governance and justice, respecting our cultural heritage and upholding the values of social capital. External influences should be compatible with citizens' aspirations.

Participation should mean that citizens are consulted on a regular basis, their voices heard in making policies and decisions that affect them. The process should encourage consensus to build a sense of belonging and ownership.

Assigning of roles and responsibilities to different parties in the public sector will help ensure that there is accountability and ownership of the process.

More emphasis is needed on micro–level issues, especially the improvement in the social sectors and poverty reduction. Improved governance and management of aid within governance and civil society organisations will mean there is efficient use of resources.

Competence and a good understanding of the conditions and conditionality put forward by donors will enable recipients to reject what they see as damaging.

Africa

A well-versed consortium of aid recipients is needed to lobby and push forward a collective agenda and common position on external aid. This consortium should have the capacity to negotiate for resources and get more appropriate responses from donor agencies for better conditions that will address the strategic needs of the peoples of the recipient countries. They should also go with the demand for civil and political rights to public goods and services, and rights and freedoms. Attention should also be paid to other aspects of poverty that do not necessarily depend on economic growth. This would go with the ability of recipient governments to initiate programmes that are pro-poor and of CSOs to intensify the role of safeguarding the citizens.

Donors are called upon to be consistent in applying conditionality for aid; the current inconsistencies make them suspect and expose their socio-economic and political strategic interests, which in most cases are to their own benefit.

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Notes

1 Why Aid? The Pearson Report.in 1969.

2 *African Recovery at the Millenium*, p xxvi.

3 DAC Report 1999.

4 WTO advocates the liberalisation of the world economy without exception.

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

6 See UNCTAD (1999) Trade and Development Report 1999, p11.

7 See Brighenti, 2000:26.

8 See Mende, 1974:87.

9 See Hanlon J, 1991a:43.

10 See Claus (1992:29).

11 See governance and aid discussion in the next chapter below.

12 Rodolfo interview on 2 May 2000.

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

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

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19 UNCTAD LDC Report 2000 page 123.

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