Aid Effectiveness in Africa: the Unfinished Agenda
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Africa is the world’s most aided major region. Yet economic growth has been disappointingly low there. A number of factors explain the poor outcomes and limited sustainability of aid in Africa. But the organisation and management of the aid relationship is a particularly important one, including the dependence of Africans on that aid. The currently popular nostrums for solving the problem of the effectiveness in Africa — selectivity, ownership, sector investment programme and more aid — are as yet inadequate and often contradictory. Much more work and honest debate needs to occur before the problem of aid effectiveness can be tackled in Africa.

1. Introduction
Sub-Saharan Africa has long been the most aided major region of the developing world. Aid as a proportion of gross domestic product there has averaged over 5% for much of the past two decades, has reached nearly 10% at times and still equals nearly 6% of the region’s GDP.1 These proportions are much higher in the many smaller African countries.

At the same time, the development performance in nearly all African countries has been deeply disappointing. Because of relatively low growth rates in most countries over the past four decades, combined with high and rising population growth rates, average per capita incomes have fallen since 1970. Average per capita income in the region increased modestly in 1995–7. But despite this increase, average per capita incomes in the region were 15% lower in 1995–7 than they were in 1976–8.

1 The data used in this section is drawn from the Global Coalition for Africa (1997–8). The data are from World Bank data sets.

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The coincidence of high aid flows and low growth has prompted many aid agencies, African governments and the expert and academic community to ask whether aid has been ineffective in Africa, and if so, why. Some have asked whether aid might have even contributed to the poor development performance, and if so, how.\(^2\)

The purpose of this article is to offer answers to these questions, based on what we know, and to indicate what we do not know. It will begin by reviewing key aspects of aid and development in Africa. It will then address the two clusters of questions, and will conclude by drawing the policy implications of the answers to those questions.

2. Aid and Development in Africa

Figure 1 traces the levels of aid for countries of Sub-Saharan Africa. The figure, the data for which came from the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD), shows the rapid rise of aid to Africa in the late 1970s, with the deterioration in the terms of trade of non-oil exporting African countries, a looming debt crisis and the accumulation of problems deriving from years of poor economic management. Aid continued to increase throughout the 1980s with the expansion in the number of structural adjustment programmes and also in response to the drought in Ethiopia in the mid-1980s. Foreign aid appears to have peaked in the early 1990s and has been on a downward trend since then.

For many African countries, the rise in aid also meant a rise in aid as a proportion of their economy. Table 1 gives an indication of this trend.

By any standard, aid flows have been very high relative to the size of African economies and these proportions have extended over decades.

What can be said about the development performance of African countries? If we divide ‘development’ in to two elements — economic growth and ‘social progress’ (i.e., the expansion of social services such as education and health) — we can see clearly where the development problem has been for most of the region. Significant social progress has

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\(^2\) These are not new questions in the discourse on development. Critics of foreign aid from policy and academic circles have long argued that foreign aid detracts from development. See, for example, Bauer (1972).
been made in the past four decades, with life expectancy increasing by as much as 10 years or more on average, literacy rising substantially, and two-thirds to three-quarters of eligible children attending primary school (as opposed to one-third at independence). Some ground has been lost in recent years with the erosion in quality of schooling (in part due to the shortage of resources in the face of rapidly increasing demand) and in overall health, which has been affected in a number

![Figure 1: Aid to Africa: Net Disbursements (in $billions)](image)

![Table 1: Aid as % GDP in Sub-Saharan Africa](table)

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1Values are no. of countries.
of countries by the high incidence of HIV/AIDS. But the progress is real and important.

The real problem of African development has been in the failure of the region to grow. Growth rates have been below the nearly 3% annual increase in population for most of the past 25 years. And why has there been such slow growth? The region has a difficult physical environment, being located almost entirely in the tropics with the special challenges that such a location brings for agricultural production and health. But these are not insuperable problems for growth as the high growth rates over decades in Botswana and healthy growth rates in a number of other countries at various periods have demonstrated. Nor is a volatile and at times hostile international economic environment an insuperable obstacle to healthy growth, as has been demonstrated by developing countries in other parts of the world. The low rates of savings and investment in most of Africa give a clue to the fundamental problem. Africans and foreigners are reluctant to risk their resources in an environment where economic policies limit returns on investment and political institutions limit secure ownership of assets. Experience over the past several years, when a number of key macroeconomic policies have been reformed to support profitable investments but with little investment response, underlines the importance both of appropriate policies and of strong and reliable institutions. And the experience of the past two decades in Africa as a whole shows that without healthy growth, maintaining social gains becomes difficult.

3. The Role of Foreign Aid

Foreign aid is a transfer of concessional resources, usually from a foreign government or international institution, to a government or non-governmental organisation in a recipient country. It may be provided for a variety of reasons, including diplomatic, commercial, cultural and developmental. It is typically used to fund expenditures that further development (or at least, it is usually justified in that way) in the country receiving the aid. Most aid has been used to finance discrete investment projects — building roads, building schools, providing training and education, family planning and so on. Since 1980, a significant portion of aid has also been sevices used as balance of payments and budget support for governments agreeing to adopt economic or political reform programmes.
Has aid been effective in promoting overall development in Africa? Has it been effective and sustainable in achieving the specific goals of the projects and programmes it has funded? These are two levels of questions and both are important to answer for a picture of aid effectiveness.

The World Bank’s 1998 report, *Assessing Aid*, has given a clear answer to the first question. This report and other studies before it examined the relationship between aid and growth in a large selection of developing countries and found no systematic association between the two. This finding might not raise eyebrows in many parts of the world where aid is only a small proportion of the economic resources available to a country. But in Africa, where aid is relatively large, this finding is surprising.

The World Bank report went on to analyse the relationship between aid and growth in countries with good monetary, fiscal and trade policies, and found a strong positive association, indicating that aid is indeed effective where economic policies are supportive of growth. The report also found that aid was not very effective at bringing about an improvement in the policy environment.

But the World Bank’s findings only tell part of the effectiveness story. What about the effectiveness of aid-financed projects? If we accept that such projects are likely to be ineffective and probably unsustainable in a very poor policy environment — for example, where a government is profoundly corrupt and incompetent, as with Zaire under President Mobutu — we still do not know when they are likely to be effective and sustainable in more supportive policy environments.

Before answering that question, we must ask whether aid in fact funds the projects for which it is intended. This is not a question of corruption. Given the scrutiny of aid by its various donors, it seems unlikely that significant amounts of it are shipped off to Swiss banks, as is often alleged. It is rather a question about fungibility.

How fungible is foreign aid? Research on this question shows mixed results, but many analyses find a significant degree of fungibility (Dollar et al., 1998, p. 66). A recent study of the fungibility of aid in 16 African countries (Devarajan et al., 1998) found that most aid (90%) boosted government expenditures (as opposed to leading to lower taxes). Roughly half the aid was used to finance external debt service payments, one-quarter of the aid was used to finance investments and the final quarter went into current account spending.

Of the aid that was used to fund investments in Africa, that used to
finance projects in health, industry and agriculture was found to be highly fungible — that is, expenditures in these sectors by recipient governments did not change despite the availability of aid for projects in them. Aid to the energy, transport and communications sectors was partially fungible. Aid to education was the least fungible.

Do these findings obviate the need and usefulness of evaluating aid-financed projects in Africa? They do not, for two reasons. First, the studies of fungibility show tendencies or probabilities in the way aid impacts countries. They do not determine the actual impact of aid in particular cases and, without a case-by-case examination, it is difficult to know exactly when aid is or is not fungible. But the most important reason for evaluating individual aid-financed projects is that even if the governments would have funded the particular activity anyway, it is likely that the way the project was designed and implemented was quite different because of donor involvement. This is nowhere more true than in Africa, where donors have taken a particularly assertive role in identifying, designing, implementing and evaluating projects. It is important, therefore, to ascertain whether projects where aid donors have been involved have been designed and implemented in an effective manner.

A number of aid donors provide assessments of the effectiveness of their aid by sector and region. In the case of Africa, these assessments frequently show that aid projects have suffered from the poorest performance of any in the world, with high proportions of only partially successful or unsuccessful projects and with significant problems of unsustainability once donor funding is terminated. Particular problems have been evident in agriculture and rural development projects, projects involving the creation and functioning of development finance organisations, projects in the industrial sector and especially projects involving efforts to strengthen African institutions of various kinds.

If some types of projects have performed better than others in the same or similar policy and institutional environments, what are the

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3 Some aid agencies undertake country-focused studies, such as the French (a number of whose evaluations are not available to the public) and the Swedes. Unfortunately, the evaluation systems of aid donors are seldom consistent with one another but they do often show common patterns of performance.

4 For an examination of the effectiveness of aid-funded projects in Africa, based on the evaluative materials of eight major aid donors, see Lancaster (1999).
factors that affect that performance? There seem to be three key elements that affect the performance of the donor-designed and -implemented projects typical of those in Africa. One is the frequent lack of a proven technology for achieving project goals. We know how to build roads; we know how to organise and help manage elections. Far less is known about generating a demand for family planning services, helping small farmers expand their production or improving the accountability of newly elected governments. Very little is known about how effectively to strengthen judiciaries, civil society organisations or the civil service. Yet much of what foreign aid tries to do at present is activities, like these, involving institutional or behavioural change.

Second, donors tend to know relatively little about the societies or institutions in which they are trying to bring about change. Most aid officials spend a few years in any one country. Few speak local languages and many spend their time in their offices rather than in the field where their projects are implemented. To help bring about behavioural or institutional change in foreign environments, it is imperative that the agents of change be deeply knowledgeable about that environment. This is seldom the case with the expatriate officials or consultants who typically manage aid interventions.

The third problem involves the domestic and bureaucratic politics within aid agencies themselves. All of them, even the multilateral ones, operate within a political environment that constrains and at times drives their allocative and policy decisions. Those decisions are thus frequently taken with less reference to what works in a recipient country than to what is required by their own public, their legislature or their bureaucracy. Ethnic and ideological factors, personal relationships, domestic political concerns, bureaucratic processes and the ever-present imperative to spend available funds within given time periods all influence decisions on who gets the aid, how much they get and how it is used, making the flexible, locally informed interventions needed for the types of aid-funded activities today extremely difficult.

Before exploring the policy implications of these findings on aid effectiveness in Africa, we need to examine the problem of aid dependence. Do the large flows of aid over an extended period in much of Africa create more development problems than they solve — as some have alleged?
4. Aid Dependence

As we have noted, a key element in the economic environment of Sub-Saharan Africa has been the relatively large flows of aid over an extended period of time to a significant number of countries in the region. Inevitably, aid exceeding 5% of GDP for 5 years or more creates a dependence on the aid. Governments get used to expenditure levels that are funded by the aid. Employment levels, imports and other economic factors adjust to the large inflow of aid. The multiplier effect of the aid can extend to the production and service sectors of the recipient economy as well. These adjustments to high levels of aid over a number of years are all part of what is often referred to as ‘aid dependence’. A dependence on high aid inflows is not necessarily a bad thing. If the aid is used productively to promote social and economic progress, its net effect is likely to be highly positive for development in the country receiving the aid. But where the aid is ineffective, it is important to consider the potential negative effects of that aid which may outweigh its positive impact and set development back rather than carry it forward. Those potential negative effects are in three areas: the economy, institutions and governance.

4.1 Economic Consequences

The main potential negative economic consequences of aid dependence are transmitted through the ‘Dutch disease’. When there is a large increase in available resources (e.g., windfall earnings from a surge in export prices, discovery of a major mineral deposit or surges in foreign aid), the increase in domestic demand for non-tradeables can provoke a rise in prices, inflationary pressures and currency overvaluation. Those consequences in turn can lead to distortions in investments and a loss of export markets.

There is some evidence of the Dutch disease in Africa (Younger, 1991) and its potential impact on African exports (Elbadawi, 1999). But a great deal more research is necessary to determine the extent of the Dutch disease and its consequences in Africa and the role in aid in contributing to it.

4.2 Institutional Consequences

Evidence has been increasing of the impact of large amounts of aid, provided by large numbers of poorly coordinated donors, on the
efficacy of African public and private institutions (including both organisations and norms of behaviour). What has typically been the case in most African countries is that government has been unwilling or unable to manage aid inflows in a coherent fashion and to co-ordinate aid donors. Part of the problem is often a lack of capacity on the part of African governments to establish and maintain effective planning, budgeting and programming processes throughout government that would ensure the aid was consistent with government priorities and was implemented in a coherent fashion. Part of the problem is that government agencies and officials are usually unwilling to reject aid that does not fit into established processes. Aid donors, on their part, have continued to operate independently of one another, dealing often with particular ministries in selecting, designing and implementing projects. It has become common practice that donors require Africans to accept technical assistance (almost always expatriate experts from the donor country) to advise and even manage their projects, sometimes within semi-independent agencies set up specifically to implement the project. With 40 or more aid agencies operating this way in African countries (not to mention the hundreds of non-governmental organisations with their own agendas and projects), it is not difficult to see how aid in Africa can weaken the strongest of government agencies — and few African government agencies fit into the category ’strong’. 

There is another aspect about the ‘institutional’ impact of aid dependence worth considering — though empirical data do not exist to demonstrate its extent or severity. That is the impact of large flows of aid over an extended period of time on the sense of responsibility, accountability and initiative of government agencies and officials receiving that aid. Most people in Africa who have represented aid agencies have had the experience of Africans pleading for or demanding aid for almost any purpose the donor likes, or turning to foreign governments or officials to fix problems (and pay for their fixing). African government officials often consult with foreign governments on policy decisions before they consult with their own

5 For an overview of these problems, see Brautigam (1996). A more detailed examination of the impact of aid on African institutions can be found in Wangwe and Lancaster (1999).
people. Even their people appeal to foreign governments to support them in issues with government. In Somalia, the size of foreign aid inflows in the early 1990s had become so large that the predominant incentives for government officials and private individuals were to find ways of obtaining the free resources from abroad rather than work to produce the resources at home, fuelling at times violence by warlords or freelance thugs rather than helping to calm that violence. These are not encouraging signs of Africans taking responsibility for their own destiny or of aid agencies encouraging them to do so. Some observers of aid and development in other parts of the world have argued that the decrease in aid or the prospect thereof forced governments to adopt more efficacious policies and take more responsibility for their own growth and investment. However, these are impressions based on anecdotes. What is urgently needed is rigorous research that would show the relationship between aid dependence and attitudes toward responsibility for development in Africa.

4.3 Governance

Aid is used to promote good governance through strengthening budget and accounting systems, training civil servants, judges and journalists, creating and strengthening civil society organisations and as an incentive to governments to enact needed political reforms. How could it have a negative impact on governance?

One of the least recognised qualities of foreign aid is its symbolic function. As a voluntary gift from a government or international organisation, it is often seen as a sign of approbation on the part of the donor of the recipient. It is also a symbol of the close relationship between the donor and recipient. Further, rising aid levels are frequently perceived (or interpreted) as a sign of improving relations and declining aid levels of deteriorating relations. The symbolic function of aid may not attach to assistance from small donors with little international visibility. But that function is very much present when the aid is from a great power or major international organisation like the World Bank. African governments have sometimes sought to minimise this symbolism, fearing that they will be seen as in the

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6 This argument has been made vis-à-vis Korea, where the prospect of a decrease in US aid in the late 1950s was followed by a new government with much more effective policies that led to the ‘Korean miracle’.
pockets of the particular donor. But more often than not, the least competent and least legitimate governments have sought aid from major powers or the World Bank as a sign that they have powerful friends abroad (who may protect them from internal or external threats to their security), that their economic policies are respectable (and therefore that they should receive debt relief or increased aid and investment) or that their political reforms are credible. For example, a number of US diplomats have confirmed to me in interviews that President Mobutu did not need the aid he sought from the US, which was only a small proportion of the resources available to him. Rather, he wanted the political credibility and regional legitimacy that came with that aid. His efforts to secure aid from France and Belgium were surely driven by the same goals.

The symbolic approbation inherent in a gift of aid can have a perverse effect on development where that aid is provided to corrupt, repressive or incompetent governments. It can strengthen their legitimacy, encourage their poor governance and prolong the duration of their regime. It is no accident that the four largest recipients of US aid in Africa between 1957 and 1995 — Zaire, Liberia, Somalia and Sudan — are among the worst development performers in the world, in no small measure an unintended consequence of US aid (which was provided in any case primarily for reasons other than promoting development).

The conclusion of this discussion on aid effectiveness in Africa is that aid is a double-edged sword. Where the economic and political environment is right, it can be very helpful in supporting economic and social progress in recipient countries. Where that environment is poor, it will likely have no positive effect and be wasted at best. At worst, it can set development back through the potential negative economic and political impacts it can have.

But even where the environment is supportive, aid can still be ineffective where aid donors exceed their own institutional capacity in trying to bring about economic, political and social change in African societies, and where Africans are too little involved in the design and implementation of aid-funded activities. What are the policy implications of these findings?

5. Implications for Aid Policy

The implications of this discussion for the management of aid in Africa
appear to reaffirm four aid mantras popular in the policy discourse on foreign aid today. Aid donors must be more selective in their allocation of aid, providing it to those African governments which have appropriate policy and institutional environments. Africans must have ownership of the aid-funded activity or it is not likely to be implemented effectively and sustained. Third, aid (since it is fungible) is best provided by donors, collaborating together, in providing budget support for sector investment programmes. Finally, there should be more aid.

Would that the world was so coherent and simple. Most of these mantras are naive and some of them contradictory of one another. The problems of aid effectiveness in Africa are difficult and complex, and their resolution — if they are addressed seriously — will likely be painful to donors and recipients at least in the short run.

Let us start with selectivity. Now that the cold war is over, aid donors have the luxury of providing aid primarily for development purposes, making it possible to increase the effectiveness and reduce the negative consequences of their aid when it is provided to the wrong kinds of governments. There are several real world problems with this approach. Firstly, donors still provide aid for non-development-related goals, including maintaining spheres of influence (as in the case of France), garnering votes for favoured issues in the United Nations (as in the case of Japan, which wants a seat on the Security Council) or promoting commercial interests (as is often the case with France, Italy, Japan and others). In fact, data show that aid is deconcentrating rather than concentrating in good performers in Africa. This is unlikely to change as long as aid donors have diplomatic, commercial, cultural and domestic concerns influencing their aid programmes as well as development. (If all these other concerns were to vanish, so would much of the domestic support in donor countries for foreign aid as well — real selectivity would almost surely mean a real decrease in aid levels over time.)

A second problem with selectivity is the criteria for selecting worthy aid recipients. The key here is the minimum conditions that would not only make aid effective and sustainable but would give rise to an increase in savings and investment that would support economic growth into the future in recipient countries. If we are serious about selectivity, we must admit that very few African countries meet such
strict criteria at present, especially when it comes to the capacity and the probity of African institutions.

Furthermore, we must also admit that aid dependence in a number of Africa’s smaller, poorer countries has made donors hostage to recipients as well as the reverse. Were aid donors to drastically cut aid to Zambia’s government today, for example, there is a chance such a cut — through both the resource and symbolic consequences — could bring about a collapse in the Zambian government (and almost surely a default on repayments of loans to the World Bank and the International Monetary Fund (IMF), consequences neither of those powerful institutions would welcome).

Selectivity is a good idea in principle. In practice, only a portion of aid is likely to be selective. But here, if selectivity is to work, aid donors (preferably with the agreement of African governments) should develop strict criteria for countries to receive substantial amounts of aid and apply them in a disciplined manner. However, if donors were seriously to take this approach, it is quite likely that aid would decrease to the region. This might, however, prove to be a benefit rather than a cost in the long run for many countries.

What about ‘ownership’? This is another laudable idea but the word obscures more than it clarifies. Is ownership the same as support? Control? Responsibility? How do we know when it exists? And what do we do if it does not exist?

What is at stake in the discussion of ownership is whether the Africans will implement and sustain aid-funded projects and programmes. The first task is to ask what specifically has led to the lack of sustainability in aid projects and programmes in the past. There appear to be five major elements affecting sustainability: a lack of understanding on the part of recipient governments and populations of what the aid is intended to achieve and how; the adverse impact of aid-funded programmes or projects on the interests of powerful groups and individuals inside and outside government; the absence of a constituency inside and outside government that would enjoy tangible or immediate benefits of the aid; a lack of funding to continue projects after aid is terminated; and a lack of willingness and/or capacity to manage projects and programmes.

Understanding the ends and means of aid-funded activities on the part of major stakeholders has been a problem in Africa in the past, especially where complicated economic reform programmes or complex projects peripheral to the priorities of Africans have been
urged on governments by bilateral and multilateral aid agencies. Stories of African officials not even having access to studies and data developed by the IMF and the World Bank have been common. It is hardly surprising that they have little invested in the success of such programmes. However, considerable efforts have been made over the past decade to inform African officials and publics of the importance of reforms, and there appears to be far more understanding and support at the end of the 1990s than 10 or 20 years earlier for the ideas that national resources need to be allocated efficiently, that government should not try to replace the private sector but facilitate its investments, and that transparency and predictability in policies and the behaviour of government officials is necessary to support investment and growth.

However, accepting the need in general for reforms does not always translate into support for specific reform programmes or for aid-funded projects by government officials or the public. A constituency in support of such programmes and projects is most likely to exist where the benefits of programmes and projects are tangible and immediate. One of the reasons that the onchocerciasis control programme in West Africa has been sustained is that it produces just such tangible benefits and, consequently, support for the activity among a broad range of the populace and public officials. On the other hand, a major problem with many economic reform programmes in Africa has been that they lacked an influential constituency inside and outside government while often provoking opposition among those whose interests were threatened by reforms. Aid agencies frequently actively sought allies within African governments that were supportive of reforms, but these allies (often ministers of finance and governors of central banks) were typically limited in number and not always in office for the extended period needed to implement and consolidate reforms. It is important to note that despite resistance of elites and officials to exchange rate adjustments in the early 1980s, donors insisted that the devaluations took place and, by and large, they worked. This experience — too little recognised in the criticisms of conditional lending and structural adjustment so popular at present — raises an important question about when considerations of ‘ownership’ should be set aside.

Another problem with the sustainability of aid projects in particular has been funding. With the economic crises of the 1980s, governments were strapped for funds and had to cut expenditures (often as part
of stabilisation and adjustment programmes). Activities originally funded with foreign aid were terminated along with many other types of expenditures. This aspect of the problem of sustainability of aid activities can also be laid in part at the doors of the large number of poorly coordinated aid donors themselves, who have frequently initiated many projects in African countries which require both counterpart funding and future financing from government budgets without considering whether that funding is likely to be available.

Finally, there has at times been the problem of the number and complexity of aid projects which have taxed and, at times, overwhelmed African government agencies, leading to the collapse of such projects once aid has been terminated. The disastrous experiences with integrated rural development projects during the 1970s and part of the 1980s are one example of the problem of complexity, where multiple activities needed to be managed and coordinated by a variety of government ministries — a management challenge that would have taxed the most efficient governments in developed countries.

All these factors can influence the sustainability of aid projects and programmes. But if some of these conditions are absent, should aid donors decline to provide aid? If recipient governments are lukewarm or even resistant to a policy or project deemed important by aid donors, should those donors not urge that project or programme on recipients? Or condition their aid on the adoption of that project or programme? This question goes to the heart of the aid relationship: when should the donors of aid lead recipient governments and when should they follow? As the history of reform in Africa shows, the answer is not so simple as the mantra of ‘ownership’ currently suggests. Indeed, this is a key question that Africans and aid donors must still answer together.

The increasing use of sector investment programmes (SIPs) is an innovative way of providing aid to governments with sensible policies, significantly improving donor coordination and, in doing so, reducing the transactions costs of aiding African governments and strengthening their institutional capacity. It has been tried in a number of countries, including Ghana, Ethiopia, Mozambique and Zambia. Several limitations of this approach are already evident. The applicability of these programmes depended on strong and committed leadership on the part of individual ministers in African governments whose staff could develop and manage sector investment plans. It also depends on the willingness of aid donors to set aside their particular
priorities and administrative procedures and to collaborate more closely than they have in the past in funding SIPs. Not all donors (including a number of the major ones, like the USA) are able or willing to participate in this type of pooling of funds and harmonisation of procedures. The management of an SIP is labour intensive on the side of both donors and recipients, including the careful monitoring on the part of the former of expenditures on the part of the latter. It simply may not be possible for donors to expend this sort of time and energy in a large number of African countries.

Little recognised but important elements in this approach also include the de facto expansion of donor surveillance of recipient policies and actions (and the conditioning of continuing budget support) to include expenditures in an entire sector rather than only in particular projects or reform programmes. This may be a beneficial change but it could also become an irritant in donor–recipient relations and produce repeated challenges to donors to penalise African governments which deviate in unacceptable ways from sector expenditure plans.

Another problematic element in SIPs is the limitation of such programmes to single sectors. There may be no alternative to sector programmes given the difficulties for donors and recipients in managing investment programmes covering an entire set of government expenditures. However, if expenditures are really fungible, and if the effectiveness of aid is influenced by policies and institutions of an entire government, then singling out a particular sector or ministry may end up creating islands of excellence that are eventually overwhelmed by floods of corruption or incompetence. The problem again becomes one of selectivity, and the relevant and realistic criteria for implementing a selectivity policy.

Finally, there is the oft-heard plea for more aid for Africa. Estimates of aid requirements based on balance of payments or budgetary gaps continue to be made and continue to be large if development is to be hastened in the region. But such analyses ignore the key lessons of the past several decades — that the impact of aid is mediated by the policies and institutions of the recipient government. Gap analysis without factoring in these elements is worse than meaningless — it is misleading, and can be wasteful and destructive. However, if realistic measures of the quality of the policy and institutional environment in Africa were employed in estimates of the need for aid based on its probable effectiveness, it is quite likely that estimated levels would be
well below actual levels, at least at present. One has only to observe the fine policy environment in Uganda combined with the high degree of corruption and institutional weakness and the increasing engagement of the government in a regional war. Can one really argue for large amounts of aid on the grounds that it will make an effective contribution to long-term development there? And can aid donors, with large amounts of aid to give, restrain themselves from providing generous amounts of that aid to countries like Uganda with good policies but with other very grave problems that are likely to impede its development in the future?

These are the difficult and complex issues that must be addressed honestly by aid donors and African recipients alike if aid to the region is to be as effective in promoting development as both have a right to expect and hope.

References


