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"AID EFFECTIVENESS AND ITS DISCONTENTS IN SUB-SAHARAN AFRICA"

Abstract
Aid effectiveness remains a critical discourse on the African development agenda. The rethink of aid effectiveness, which began in the 1990s, is a major departure from the general view in the 1950s and 1960s that aid was effective. Today, there is mixed empirical evidence on aid effectiveness in delivering its key objective: promoting development and reducing poverty. This study provides an analytical mapping of critical debates on the notion of aid 'effectiveness' in sub-Saharan Africa (SSA), with a focus on the perspectives of African scholars and African policy actors. It identifies and outlines the debates, and articulates the role of traditional and emerging donors. To make aid more effective and mitigate 'discontent', SSA countries need to incorporate aid effectiveness measures into their short-, medium- and long-term plans, ensure effective coordination of traditional and emerging donors, forge development cooperation beyond aid to include trade and investment, mainstream the creation of a conducive environment for private investment and domestic resource mobilization, effectively control capital flight, and pay greater attention to South-South cooperation. Similarly, donors should ensure more efficient and effective aid targeting, particularly toward the productive sector, and attenuate aid-tying conditions. Finally, complementary studies to elicit the views of the various SSA actors are called for, to more appropriately capture the comparative perspectives of aid effectiveness and its discontents in (sub-Saharan) Africa.

Keywords
Aid effectiveness, aid discontents, sub-Saharan Africa

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1. INTRODUCTION AND CONTEXT

Aid effectiveness remains a critical discourse on African development, given the raging debate on the role of aid in Africa. The empirical evidence is mixed and highly controversial. Within the Harrod-Domar[1] formulation of the 1940s that gave rise to the 'Big Push' of the 1950s and 1960s, external aid was viewed as an important supplement to domestic resources and as a means of filling the development financing gap. Initially, therefore, there was a seeming consensus that aid was effective, positively engendering inclusive growth that reduced poverty and raised human development more generally. Indeed, the well-known post-World War II and post-Korean war provisions of external aid to Europe (the Marshall Plan) and Korea by the United States were consistent with this view; as was the establishment of the World Bank and related institutions, which were set up to provide aid primarily to developing countries, including sub-Saharan Africa (SSA).

Today, in addition to political considerations, the key objective of aid is to promote development and reduce poverty. To this end, developed countries have set up specialized aid agencies and institutions to deploy aid to developing countries, with the aim of achieving specific economic, social, political and human development objectives. Aid delivery and its effectiveness is usually moderated by factors such as conditionality, governance, absorptive capacity and other similar issues.

The rethink on aid effectiveness that began in the 1990s, partly due to 'aid fatigue', was motivated by the challenges associated with aid at both the giving and receiving end, provoking the 'aid effectiveness' debate. The Monterrey International Conference on Financing for Development, the Rome High Level Forum on Aid Harmonization, the Paris Declaration on Aid Effectiveness, the Accra Third High Level Forum, and the Busan High Level Forum, were key policy dialog meetings aimed at advancing the aid effectiveness debate. One obvious consensus emanating from these meetings is that more needs to be done to render aid more effective.

The debate on aid effectiveness in SSA is a result of several issues. First, despite the huge amount of aid the region received between 1960 and 2013 – totaling over USD 1.2 trillion when measured in 2012 constant terms – SSA economic performance continues to lag behind that of other developing regions of the world. Indeed, the economic and development gaps between SSA and other developing regions that have received less aid have widened. Second, there appears to be an aid-dependency syndrome in Africa: certain countries receiving greater amounts of aid have tended to require even more of it over time in order to make ends meet. While aid was supposed to be a temporary measure, SSA countries have found it difficult to wean themselves off it, as shown in the rising aid inflows (see Figure 1). It has become a permanent feature of their economies, with little to show for it. Third, the

[1] This is an economic growth model which states that a country's rate of economic growth increases with a higher level of saving and a lower capital-output ratio, where the latter measures (inverse) productivity of investment in the economy.

emergence/re-emergence of new donors and actors from developing regions into the aid space, particularly China, has renewed the aid effectiveness debate; partly due to the nature of this non-traditional aid and its disbursement modalities. Often such aid is bereft of the political conditionality associated with aid from the traditional donors, and tends to involve the provision of development programs in exchange for resources. Other issues include: the quality and quantity of aid, aid project design, delivery modes, aid tying, aid sustainability, the need to meet the demands of the recipient, effective targeting, ownership, the management capacity of recipient countries, and the extent of crowding out of the private sector.

The bulk of the literature evaluates aid effectiveness using criteria based on non-African perspectives. This paper extends the discourse by using criteria based on African perspectives. It looks critically at the academic (theoretical and empirical), policy and institutional discourse on aid effectiveness, examining current debates at the regional, sub-regional and continental level in Africa. Particular attention is paid to comparative insights on the views of diverse African and non-African researchers, policymakers and institutions. This assessment is extended beyond the traditional donors, to emerging and new 'development partners', particularly China.

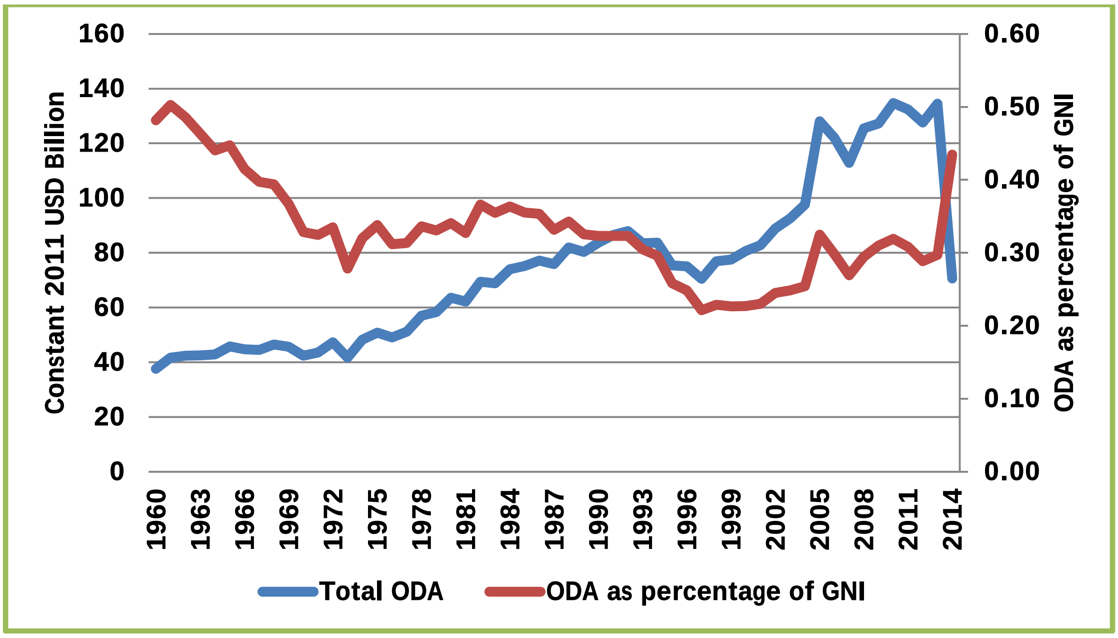
The methodology relies largely on an analytical assessment of the literature on aid effectiveness, sketching African perspectives in the process. The assessment focuses on comparative insights into the varying opinions on aid effectiveness and on the extent to which these differ across time, space (regions, sub-regions and continents), and actors (academics, policymakers and African institutions). For each of the insights across space and time, the existing African perspectives, if any, are highlighted, followed by the insights and experiences across SSA on the workings and impact of aid. Although by no means exhaustive, the literature assessment is not limited by time, geography or persuasion. The attempt here is to consider the entire gamut of the literature on aid effectiveness in SSA – including the views of Africans and non-Africans alike, and the different schools of thought.

Following the introduction, Section 2 provides the trends in aid flows, with attention to SSA countries. Section 3 articulates the conceptual issues and framework for assessing aid effectiveness. Section 4 presents a literature review on aid effectiveness in SSA across time, space, institutions and other actors. Section 5 contains key findings on African perspectives on aid effectiveness in SSA. Finally, section 6 concludes with suggestions on the way forward.

2. TRENDS IN AID FLOWS TO AFRICA ON AGGREGATE AND BY TYPE

Total global aid flows have increased over the years, albeit with a significant dip in 2014. Measured in 2011 constant USD, total Official Development Assistance (ODA) increased from USD 37.6 billion in 1960 to about USD 80.7 billion in 2000; with a further rise to a peak of USD 134.8 billion in 2010; before plummeting to USD 70.6 billion in 2014 (Figure 1). Thus, between 1960 and 2014, total global net ODA increased by almost 260%. It is also noteworthy that despite the 2007/2008 global financial crisis, total net ODA flows remain largely stable. While a decline of 7% was recorded in 2007 (compared to the 2006 pre-crisis figure), an immediate recovery to a higher pre-crisis level was registered in 2008 – an 11.3% rise over the 2007 values and further significant rises thereafter.

Figure 1: Net Official Development Assistance for Donor Countries



Note: Total ODA is on the left scale, while ODA as a percentage of DAC donors' GNI is on the right scale
Source: OECD database[2]

The average share of total ODA disbursement as a percentage of Development Assistance Committee (DAC) donors' GNI remains below 0.7% – the target set by the Millennium Declaration. This share hovered around 0.3% between 2000 (when the Declaration was made) and 2014; although there was a sharp rise to 0.43% in 2014.

Total DAC ODA disbursement to SSA doubled between 1998/99 and 2014, though it has remained relatively flat as a share of total ODA (Table 1). Multilateral donor disbursements have performed better, rising by about 145% over the same period, with the share going to SSA increasing from 34% in the late-1990s to 42% in 2014. On aggregate, ODA disbursements to SSA increased by almost 120%, though the region's share has remained relatively flat (less than a third).

[2] Available at: http://www.oecd-ilibrary.org/development/development-co-operation-report-2015/net-official-development-assistance-1960-2014_dcr-2015-graph1-en. [Accessed June 2, 2016].

Table 1. Net Disbursements of ODA to sub-Saharan Africa by DAC Donors

	1998-99 Average	2003-04 Average	2010	2011	2012	2013	2014
Total DAC (USD Billion, 2013 Prices)	12.6	21.8	27.7	28.6	27.3	26.8	25.4
Total DAC (Percentage of donor's ODA)	23.8	32.8	29.2	30.6	30.7	28.7	27.0
Total Multilateral (USD Billion, 2013 Prices)	7.4	10.6	17.5	16.0	17.2	18.8	18.2
Total Multilateral (Percentage of donor's ODA)	34.0	41.3	47.3	42.7	42.8	44.6	42.5
Total Overall (USD Billion, 2013 Prices)	20.1	32.6	45.4	44.9	44.9	46.0	43.9
Total Overall (Percentage of donor's ODA)	26.4	33.7	33.1	32.2	33.5	30.5	27.4

Source: OECD database[3]

Several non-DAC countries are making inroads into providing ODA to fellow developing countries. The rise in ODA provided by these countries is unprecedented, from USD 6.5 billion in 2010 to almost USD 25 billion in 2014 – an almost 300% increase (Table 2). UNDP (2011) estimates the contributions of these new donors to be around USD 15 billion or 10% of global aid flows in 2008; AidData[4] estimates a 350% increase between 2000 and 2010. Saudi Arabia tops the list of these countries, followed by the United Arab Emirates and Turkey. Data from these non-traditional donors are likely to be relatively sparse and the difficulties in obtaining reliable data on aid to SSA, particularly from China, suggest that the reported values likely underestimate the actual aid from emerging non-DAC countries (Strange et al., 2015; Dreher et al., 2013). Generally, the aid-supply motivations of emerging countries are not significantly different from those of traditional donors – and include national, political and economic interests. However, such aid often comes with no explicit conditionality.

[3] Available at http://www.oecd.org/dac/stats/statisticsonresourceflowstodevelopingcountries.htm. [Accessed May 20, 2016].

[4] Eichenauer, V. Z. (2015). 'Trust Funds: DAC Donors Contribute, Most Non-DAC Donors Don't'. First Tranche Blog of AidData. Available at http://aiddata.org/blog/trust-funds-dac-donors-contribute-most-non-dac-donors-dont [Accessed May 15, 2016]

Table 2. Concessional Flows from non-DAC[5] Countries (million USD)

	2010	2011	2012	2013	2014
OECD Non-DAC					
Estonia	19	24	23	31	38
Hungary	114	140	118	128	144
Israel	145	206	181	202	200
Turkey	967	1,273	2,533	3,308	3,591
Other providers					
Bulgaria	40	48	40	50	49
Croatia	..	..	21	45	..
Cyprus	51	38	25	20	..
Kazakhstan	..	..	..	8	33
Kuwait	232	175	180	231	277
Latvia	16	19	21	24	25
Liechtenstein	27	31	29	28	27
Lithuania	37	52	52	50	46
Malta	14	20	19	18	20
Romania	114	164	142	134	214
Russia	472	479	465	714	876
Saudi Arabia	3,480	5,095	1,299	5,683	13,634
Chinese Taipei	381	381	305	272	274
Thailand	4	23	11	36	69
United Arab Emirates	414	713	759	5,402	5,080
Total	6,528	8,881	6,224	16,385	24,597

Source: OECD database[6]

The total cumulative net bilateral aid flows from DAC donors to SSA countries between 1960 and 2014 amount to USD 608.3 billion (Table 3). In real dollar terms, the United States is by far the largest donor, followed by the European Union, France, the United Kingdom and Germany (in that order). However, when measured in terms of percentage of their GNI, these countries are the smallest donors. Countries like Norway and Finland, which appear to be giving relatively small amounts of aid, are actually meeting and surpassing the 0.7% target.

[5] Note that the comparable data for China is only available for Taipei.
[6] Available at http://www.oecd.org/dac/stats/statisticsonresourceflowstodevelopingcountries.htm [Accessed May 20, 2016].

Table 3. Net Bilateral Aid Flows from DAC Donors to SSA (million USD)

	1960	1970	1980	1990	2000	2010	2011	2012	2013	2014	Total
Australia	NA	2	22	72	34	186	342	381	312	179	2,942
Austria	-	1	9	66	63	227	113	164	88	67	3,517
Belgium	86	73	283	303	203	1,182	782	756	562	510	16,297
Canada	0	36	198	434	200	1,515	1,515	1,829	1,484	1,340	23,374
Czech	NA	NA	NA	NA	NA	8	8	7	7	7	73
Denmark	0	14	124	296	404	836	954	776	701	624	15,918
European Uni	3	130	625	1,506	1,113	4,788	4,849	5,126	4,746	5,290	85,710
Finland	NA	NA	36	241	66	309	315	315	321	390	5,607
France	308	274	1,006	3,015	1,137	2,927	3,541	3,109	2,220	2,121	84,976
Germany	5	81	651	1,405	790	1,736	2,211	2,557	1,970	2,242	50,859
Greece	NA	NA	NA	NA	2	19	8	6	1	2	178
Iceland	NA	NA	NA	NA	3	11	10	10	15	15	158
Ireland	NA	NA	7	15	104	397	398	351	354	340	5,713
Italy	17	25	57	1,072	257	345	783	104	118	167	18,141
Japan	0	8	234	826	956	1,695	1,727	1,693	2,131	1,531	35,522
Kprea Rep	NA	NA	NA	9	11	124	158	242	254	317	1,553
Luxembourg	NA	NA	NA	8	45	125	125	108	123	137	1,693
Netherlands	NA	11	375	657	585	1,358	962	735	850	755	27,270
New Zealand	NA	NA	1	1	5	11	14	6	4	12	195
Norway	NA	7	136	411	336	945	1,057	951	1,041	942	18,282
Poland	NA	NA	NA	NA	NA	3	3	3	43	41	215
Portugal	NA	NA	NA	100	111	289	407	285	246	196	5,149
Slovak Repub	NA	NA	NA	NA	NA	2	2	3	3	2	91
Slovenia	NA	NA	NA	NA	NA	1	1	1	1	0	5
Spain	NA	NA	NA	127	92	932	448	264	375	126	7,683
Sweden	0	21	332	666	395	871	1,318	1,176	1,139	1,080	22,668
Switzerland	NA	6	59	242	151	329	518	487	499	576	8,479
United Kingd	123	123	438	515	1,128	3,003	3,262	3,220	3,709	4,181	54,985
United States	38	178	642	1,089	1,477	7,413	8,905	8,601	9,298	9,454	111,089
Total	580	989	5,235	13,077	9,668	31,585	34,737	33,266	32,614	32,645	608,344

Source: WDI Database[7]

At a total of USD 125 billion between 1970 and 2014 (Table 4), multilateral aid to SSA pales in comparison with bilateral aid. The World Bank Group, specifically the International Bank for Reconstruction and Development and the International Development Association, dominated, accounting for 63% of the total flows; while the UN system accounted for the balance. Note, however, the reported data represents only loan and credit disbursements less repayments of the principal. In addition, borrowings from the African Development Bank – which are substantial, particularly for financing infrastructure in regional member countries – are not included in the figures reported in Table 4.

[7] Available at http://www.oecd.org/dac/stats/statisticsonresourceflowstodevelopingcountries.htm [Accessed May 20, 2016]

Table 4. Net Official Flows from Multilateral Agencies (million USD)

	1970	1980	1990	2000	2010	2011	2012	2013	2014	Total
IAEA	NA	NA	NA	NA	24	17	20	23	24	186
IFAD	NA	4	92	66	131	167	287	280	208	3,240
UNAIDS	NA	NA	NA	NA	36	41	41	49	42	343
UNDP	69	194	308	166	271	215	219	210	234	9,568
UNFPA	NA	23	53	50	145	141	149	149	148	2,574
UNHCR	5	158	212	197	52	98	162	121	3	6,446
UNICEF	10	58	215	166	492	476	400	464	515	8,789
UNPBF	NA	NA	NA	NA	41	53	49	34	44	305
UNITA	14	10	71	148	NA	NA	NA	NA	NA	3,006
WFP	20	174	434	191	124	164	230	230	172	11,165
WHO	NA	NA	NA	NA	90	106	91	127	104	621
IBRD	45	289	92 -	476	283	255	556	362	1,334	88
IDA	61	419	1,983	1,967	3,688	2,974	3,310	4,668	4,874	78,678

Source: WDI Database[8]

Obviously, the level of ODA varies considerably across African countries. In constant 2013 dollar terms, Tanzania received the highest cumulative volume of aid between 1960 and 2014, amounting to USD 81.5 billion; followed by Ethiopia and the Democratic Republic of Congo, which received USD 72.7 billion and USD 70.2 billion, respectively, over the same period. Sao Tome and Principe, Seychelles and Equatorial Guinea are at the bottom of the rankings, with cumulative flows of USD 1.9 billion, USD 41.8 billion and USD 1.7 billion, respectively. When viewed in per capita terms, however, Cabo Verde, Sao Tome and Principe, and Liberia are among the highest recipients over the period.

The importance of ODA to developing countries, as measured by its proportion of the recipient's GDP or fiscal budget, differs substantially across African countries. While less than 5% of GNI in SSA generally, ODA in fragile countries such as Liberia and Sierra Leone, has played a major role in financing sustainable development. For example, ODA was almost 130 percent of GNI in Liberia during 2010; and in 2012 constituted 132 percent, 110 percent and 106 percent of total central government expenditures, respectively, for Liberia, Central African Republic and Sao Tome and Principe.

The structure of external financial flows to SSA has also changed significantly over the years. Since the 1990s, private capital flows and remittances have been the major component of external financial flows to SSA, especially since 2005. From a 62% share of total external financial flows to the continent in 1990, ODA shrank to a mere 22% in 2012. Conversely, over the same period private capital inflows almost doubled, while remittances rose from 7% to 24%. Today, an increasing number of countries in the region attract higher private financial flows and remittances than ODA, suggesting decreasing aid dependency for the region as a whole.

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8 Available at http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators [Accessed May 20, 2016].

Improvements in the business environment and investment climate, and enhanced macroeconomic and public financial management, as well as better policy outcomes in many SSA countries, have contributed to the increased importance of private capital flows and remittances – in terms of total financial flows to the region.

2.1 African Perspectives on Trends and Nature of Aid Flows

Aid Demand

African countries have not always counted on external aid for their development. At independence in the 1960s, most SSA countries exuded confidence and self-reliance. They charted a socioeconomic development path that focused on relying primarily on their own resources (human and material) to develop the region. Development initiatives like the Monrovia Declaration of Commitments, the Lagos Plan of Action, the Final Act of Lagos, and several other country-specific national development plans focused on self-reliance and self-sustainment in the quest toward growth and development, without any reference to reliance on external resources.

Even when the idea of external support was conceived, it was not necessarily in terms of support from developed countries, but rather in the form of partnerships with fellow developing countries, through South-South cooperation. This was the motive behind the 1955 African-Asian Conference, otherwise known as the Bandung Conference. The Conference was one of the earliest self-determination efforts by African countries toward political, economic and social governance devoid of reliance on external aid. The idea was to join forces with fellow newly-independent Asian countries in leveraging their own resources for mutual Afro-Asian economic, political and cultural cooperation (Fosu and Ogunleye, 2016). It is interesting that one of the aims of the Conference was to jointly oppose and fight colonialism, neocolonialism or any other form of colonization by the 'imperialistic' nations – who, incidentally, would later emerge as aid-giving donor countries. The aim was for political self-determination, mutual respect for sovereignty, non-interference in internal political and economic affairs, and non-aggression. Ultimately, developing countries, including those in Africa, wanted to protect themselves from the dominant influence of the industrial nations. Emerging from independence, these nations viewed post-colonial aid as a temporary phenomenon, rather than as an instrument for long-term development.

Marked differences exist among SSA countries on their perspectives of ODA. For example, Tanzania embraced ODA early on following its political independence, with ODA per capita around USD 33.66. The country's first Five-Year Plan, unveiled in 1964, relied significantly on expected foreign assistance from donor countries, especially the United Kingdom, to help finance proposed social interventions and investment projects. The failure of the Plan to achieve its objectives was largely due to withdrawals of aid by the UK and Germany over Tanzania's stance on Rhodesia and Zanzibar, respectively. Similarly, Nigeria's First National Development Plan relied on foreign aid to finance 50% of its capital expenditure – though the level of foreign aid per capita was much lower (USD 10.8).

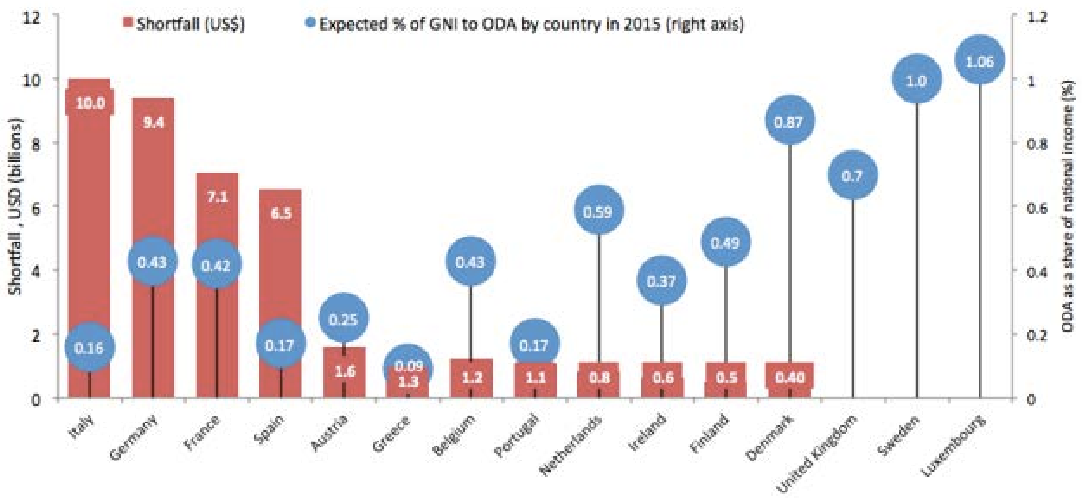
Countries in Africa were often required by donors to adjust their policies and pattern their reforms following a pre-conceived framework as a precondition for receiving aid. This process characterized the economic reforms of the 1980s and 1990s, when African countries were required to change policy course by adopting the 'Washington Consensus'.[9] In practically all cases, these African governments were in severe fiscal difficulties and required relief. As Fosu (2008b, p. 166), for instance, writes: "…The substantial erosion of terms of trade in the late 1970s and early 1980s meant that many African countries faced major fiscal difficulties and had reluctantly to accept market-friendly policies accompanying IMF/World Bank programs." Fosu (2013b) cites Ghana as an example of an African country that (successfully) changed its policies in exchange for badly-needed ODA.

Aid Supply

The target of 0.7% (of donors' GNI) was initially adopted in October 1970 in a UN General Assembly resolution.[10] Ever since, this target has been affirmed and reaffirmed in different forums. Yet, some donors, especially the United States, have expressed reservations over this target, which is not actually binding. Only Sweden, Netherlands, Norway and Denmark have consistently met the target since the mid- to late-1970s (and Luxembourg since 2000). A similar commitment made at Gleneagles Summit in 2005 by the G8 to double aid to Africa by 2010 has equally fallen well below expectations. In 2015, only Luxembourg, Sweden, Denmark, and United Kingdom met the target (Figure 2).

Figure 2: DAC Countries and the 0.7% of GNI Aid Commitment (2015)

[9] This refers to a set of neoliberal economic reform policies and ideas that are widely propagated and supported by global institutions, mainly the World Bank and International Monetary Fund.
[10] 'International Development Strategy for the Second United Nations Development Decade', UN General Assembly Resolution 2626 (XXV), 24 October 1970, paragraph 43.



Source: Zubairi, 2015.

Granted, the recent global economic crisis since 2007 has weakened the abilities of certain DAC countries to meet the 0.7% target. For instance, Italy, Portugal, France, and the largest European economy, Germany, are far from meeting the target. In 2015, Italy achieved 0.16% of its GNI, remaining at the level it achieved in 2004. Similarly, Portugal and Spain reached 0.17%, while Germany and France reached 0.42% and 0.43%, respectively. Meanwhile, countries like the United States and Canada have not even reaffirmed their commitment to the 0.7% target. The lack of commitment and absence of penalties for failure to meet the target have, to some extent, influenced ODA flows globally and to SSA specifically. UNESCO (2015) estimates that this lack of commitment will result in an annual financing gap of USD 39 billion between 2015 and 2030 for reaching acceptable quality in universal pre-primary, primary and secondary education in low and lower-middle income countries.

While donors claim that reform, good governance, ownership, national policies and priorities, and other similar metrics in recipient countries are the main factors determining aid flows to SSA, it is, in reality, the donors who determine the allocation of aid. In many instances, politics and the overriding legitimate (and sometimes illegitimate) interests of donor governments determine aid flows and allocations. For instance, the withdrawal of aid allocations to Tanzania between 1961 and 1968 by the UK and the Federal Republic of Germany was for political reasons – as a result of Tanzania's stance on Rhodesia and Zanzibar. Furthermore, the significant decline in aid flows to Tanzania between 1981 and 1985 was largely due to the country's policy disagreements with the IMF during this period. The Cold War also had a significant effect, with the East and West competing to provide aid to Africa with a view to increasing their influence on the continent. In addition, the relatively recent anti-terrorism spending on Africa is clearly an example of the supply of aid in response to US security concerns. Added to the political undercurrent of aid allocation is the pressure donor countries face from their tax payers and civil society organizations, who demand justification for aid to developing countries.

That said, there is much aid that is humanitarian. Nonetheless, the supply factors driving aid flows may undermine aid effectiveness in SSA and, in turn, lead to discontent among African actors about the role of aid on the continent. These supply factors also mean that SSA countries are more likely to welcome the competition offered by emerging donors such as China.

China tops the list of emerging donors (Watson, 2014), and the country has made major inroads into the aid space in Africa. China is actively engaged in construction projects of all kinds, including roads, railways, ports and buildings, as well as in mining minerals and crude oil. It seems likely that a major reason for the acceptance of Chinese aid is that it is usually devoid of the stringent conditions associated with the traditional donors. It is also more consistent with the development agenda of SSA countries, and the aid 'package' is often viewed as a cheaper alternative to the one offered by the traditional donors (Amusa, Monkam and Viegi, 2016).

3. ASSESSING AID EFFECTIVENESS: CONCEPTUAL ISSUES

Official Development Assistance (ODA) is defined as the flow of concessional official financing to the developing world that has a minimum 25% grant element. Usually, the objective is to promote economic growth, development and the welfare of the majority in less developed countries and regions of the world. Such aid takes different forms that include, *inter alia,* multilateral and bilateral aid, technical assistance, and debt relief. Given the high poverty rate in developing countries, particularly in SSA, in conjunction with the Harrod-Domar view that capital deficiency is a major culprit, development economists have argued that aid is *sine qua non* for developing countries to close the savings gap (Schabbel, 2007).

For decades, aid effectiveness was measured primarily in terms of its effect on economic growth. The inadequacy of this myopic measure of aid effectiveness has changed in recent times, however, with the inclusion of 'quality of life' as an important measure of aid effectiveness (Sen, 1999; Anand and Sen, 2000). Stern et al., (2008, p.20) provide the standard definition of aid effectiveness: "the arrangement for the planning, management and deployment of aid that is efficient, reduces transaction costs and is targeted toward development outcomes including poverty reduction".

Historically, an aid effectiveness framework was required for several reasons:

- First is the notion that the amount of *reliable* aid is too small. While some might argue that the amount of aid to SSA has been excessive, given the continent's inability to absorb and manage it, others claim that aid has been ineffective because the volume of flows that could be *relied on* for medium- to long-term planning was much too small (see Heller and Gupta, 2002; Clemens and Radelet, 2003; De Renzio, 2005). A framework for increasing aid was, therefore, thought to be necessary.

- Second is the issue of coordination and harmonization. Given the large number of countries and institutions involved in giving aid, a framework was necessary to avoid a haphazard and uncoordinated aid provisioning system.
- Third, the different requirements by donor countries and institutions imposed high financial and other transaction costs on aid-receiving countries.
- Fourth, aid projects were often 'owned' by donor countries and agencies rather than recipient countries. A framework was, therefore, required to involve the aid recipients in the conceptualization, initiation and implementation of aid projects that aligned with their development agenda.
- Finally, a framework was required to improve the impact of aid on targeted socioeconomic variables in aid-receiving countries.

Toward A Global Framework

Frameworks for aid effectiveness have been developed at both country and regional levels. These include initiatives in individual SSA[11] countries and at the SSA regional level, on the one hand, and by individual donor countries and donor groups, on the other (see AfDB, 2011; South Africa, 2011). The European Union, OECD DAC, the Bretton Woods Institutions, the UN system, and the Strategic Partnership for Africa are examples of such regional and institutional initiatives.

The 2002 Monterrey Consensus became the first ever attempt at fashioning a global framework for aid effectiveness. This led to the creation of the High Level Forum on Aid Effectiveness. Four forums have been held so far. The 2003 Rome Declaration focused on harmonization – specifically, adapting aid to the country context and aligning it with country-level priorities and development goals. Donors were called upon to harmonize their procedures, policies, institutions, practices and procurement rules to promote good practice in aid delivery.

The Second High Level Forum on Aid Effectiveness, held in Paris in 2005 – otherwise known as the Paris Declaration on Aid Effectiveness – made major progress toward strengthening the aid effectiveness framework. The Forum established five concrete principles for monitoring aid effectiveness: ownership, alignment, harmonization,

[11] Kenya, for instance, has established the following institutional frameworks for monitoring aid effectiveness: Development Partnership Forum, Development Partners Consultative Group, Government of Kenya Consultative Group, Aid Effectiveness Group, Aid Effectiveness Secretariat and Sector working groups, Kenya External Resources Policy, and Kenya Joint Assistance Strategy.

management for results, and mutual accountability. It also developed twelve major measurable indicators for monitoring progress at country, regional and global levels. This was a significant step toward globalizing and strengthening aid effectiveness. The pragmatic approach adopted by the Forum, coupled with its action-oriented measures for assessing progress, added considerable strength to the framework.

The 2008 Accra Agenda for Action provided an additional impetus for assessing and monitoring progress toward aid effectiveness, given the greater number and wider diversity of stakeholders. The focus was on deepening ownership, inclusive partnerships, capacity development and delivering results. The alliance and negotiations that gave rise to the Agenda for Action was unprecedented, attended by all OECD donors, over 80 developing countries, around 3,000 civil society organizations, and UN agencies, as well as a number of bilateral and multilateral agencies, philanthropies and private funds operators. The key focus of the call to action was on seven pillars: civil society, country systems, fragmentation, untying aid, accountability, conditionality and predictability. Specific commitments were made by all stakeholders and 2010 was set as the deadline for meeting both the Accra Action and the Paris Declaration.

More recently in 2011, the Fourth High Level Forum was held in Busan, Korea. The Forum can be viewed as a turning point for the global discussion on aid effectiveness because in addition to the traditional stakeholders involved in the previous forums, providers of South-South and triangular cooperation were among the list of participants. It thus provided the first ever agreed framework for development cooperation among traditional donors, South-South actors, BRICS[12] countries, civil society organizations and private funders. The Forum emphasized the need to leverage diverse sources of funding and knowledge to tackle the persisting challenges that weaken aid effectiveness.

Emanating from these efforts, several forums aiming to provide voice and support for aid effectiveness have emerged. One of these is the Global Partnership for Effective Development Cooperation. This is a coalition of donor and recipient governments, private businesses, civil society organizations and other similar stakeholders interested in working together to provide funding, knowledge and other resources to promote aid effectiveness and development effectiveness more broadly. Championed by ministers from Malawi, Mexico and the Netherlands, the initiative aims to leverage global, regional and country-specific knowledge and resources to improve development cooperation. It is based on similar principles to those adopted by the High Level Forums. So far, no less than 161 countries and 56 organizations have endorsed the initiative, across all regions, sectors and donors.

Another interesting undertaking is the UN Development Cooperation Forum. This is a forum for reviewing the trends in international development cooperation, working to promote greater coherence in development policy, and encouraging aid

[12] Brazil, Russia, India and China

coordination among all actors, sectors and stakeholders. Held biennially since 2008, with membership open to all UN members, the Forum regularly brings together high-level decision makers, opinion leaders, law makers, civil society organizations, and private foundations on a platform for global development policy dialog and cooperation. There is also the Working Party on Aid Effectiveness (hosted by the OECD) and the Better Aid Platform, comprising of 900 CSOs engaged in development cooperation.

From Aid Effectiveness to Development Effectiveness

The resulting trend is a move from aid effectiveness toward development effectiveness. This recognizes that the focus should not just be on making aid effective per se, but on ensuring effective development in recipient countries. The concept was introduced at the 2014 First High Level Meeting of the Global Partnership for Effective Development Cooperation. The strategy affirms the aid effectiveness framework but also attempts to broaden the dialog on the quality, transparency, judicious use and accountability of aid management, through country ownership, policy coherence, South-South cooperation and triangular cooperation. Stronger multi-donor coordination, aid information management and emergency response coordination are key ingredients for achieving development effectiveness.

3.1 Concepts for Assessing African Perspectives on Aid Effectiveness

To more appropriately evaluate aid effectiveness, as well as appreciate the views (discontent?) of donor recipients, one must first understand the motivations for providing aid. These include political, economic and policy considerations – specifically, colonial alliances, strategic concerns and ideological stances, on the part of the donor; and the degree of openness and the nature of democratic institutions in recipient countries (Meernik et al., 1998; Schraeder et al., 1998; Alesina and Dollar, 2000; Nunn and Qian, 2014). Other studies have established, however, that humanitarian rather than political, economic and policy considerations are the real determinants of foreign aid (Lumsdaine, 1993). Maizels and Nissanke (1984) identified determinants by first classifying aid into its *bilateral* and *multilateral* components. The authors argue that while bilateral aid is motivated by the security, political, trade and investment interests of the donor country, multilateral aid focuses on supplementing domestic resources in the recipient country.

The overall objective of aid is to raise the welfare of Africans generally. However, the emphasis on specific objective functions differs across stakeholders. For example, while policymakers are more likely to emphasize aggregate indicators such as GDP growth, CSOs tend to focus more on the distribution of that growth. CSOs, in particular, are more interested in pro-poor growth, as are academics who conduct research on distributional issues. Donor preferences also play an important role. Are their requirements for spending consistent with the expectations of domestic stakeholders? If not, what is the most likely outcome and might this be consistent with the development objectives of recipient countries? Policymakers generally prefer budget-support aid; this approach is seen as relatively efficient, particularly in terms of reducing transactions costs. However, this raises a number of concerns among donors, CSOs and academics related to aid fungibility[13], and the risk of corruption and Dutch disease[14].

There is also a potential disparity in the supply and demand for aid. This disparity is often reflected in differences in the definition of aid from the point of view of the donor and the recipient. For example, while the donor measures the amount of aid in terms of the total cost, the recipient is likely to view aid only as the portion received. Furthermore, only a portion of aid is given in the form of grant, while the rest entails recipients taking on additional debt. In this case, the recipient is likely to count only the grant element, leading to a large gap between the amount of aid recorded by the donor and the perceived amount of aid recorded by the recipient. Thus, recipients may view aid as accomplishing little while increasing the debt burden.

Meanwhile, new and emerging donors, especially China, are likely to increase the competitiveness of the aid-supply environment. African policymakers clearly welcome such competition because it means their preferences are more likely to be met. However, this means that aid effectiveness relies more on the priorities of policymakers and the extent to which they focus on social welfare objectives. While Chinese aid has led to the adoption of a relatively integrated comprehensive development agenda in certain African countries, it has also tended to undermine the implementation of requisite institutional reforms, whether economic or political. Such institutional reforms are critical for sustained growth and development.

4. AID EFFECTIVENESS IN SSA ACROSS TIME, SPACE AND INSTITUTIONS – REVIEWING THE LITERATURE

4.1 The General Literature on Aid Effectiveness

The literature is replete with attempts at analyzing aid effectiveness across time, space, actors and institutions. The findings of these analyses differ significantly, and are influenced by the choice of instrumental and conditioning variables, the samples used and the analytical techniques employed. Often, these studies use growth theories to measure the effects of aid on savings and investment, as well as on government behavior. Fungibility and fiscal response are usually the most important of these effects for developing countries. Fiscal response studies are particularly important because they attempt to analyze the effects of aid on borrowing, tax

[13] This refers to the possibility that aid is used in ways not intended by donors

[14] Dutch disease is the undesirable effect on an economy of a significant increase in foreign exchange inflows, usually through aid, FDI or the discovery of crude oil or minerals. This is accompanied by currency appreciation that makes the country’s locally manufactured goods and services less globally competitive, leading to wanton imports of cheaper foreign goods and services, and consequently de-industrialization.

revenues and total fiscal spending (McGillivray and Morrissey, 2001). Many acknowledge that while aid seems to be effective at the micro/project level, it does not seem to aggregate into major development breakthroughs at the macro level (Kharas, 2010).

Criticism of aid effectiveness can be traced back to Bauer (1972) and Friedman (1978). More recently, similar views have been expressed by Easterly (2001) and Moyo (2009a). Easterly (2006, p.4), in particular, is very blunt in his assessment of the ineffectiveness of aid: "The West spent $2.3 trillion on foreign aid over the last five decades and still had not managed to get twelve-cent medicines to children to prevent half of all malaria deaths. The West spent $2.3 trillion and still had not managed to get four-dollar bed nets to poor families. The West spent $2.3 trillion and still had not managed to get three dollars to each new mother to prevent five million child deaths".

The core submission of these critics of aid effectiveness is that aid entrenches poor governance, perpetrates and widens government bureaucracies, and serves as a conduit for enriching political elites and government bureaucrats responsible for aid administration. These arguments are usually supported by the experiences of widespread and deepening poverty among developing countries that have received billions of dollars in aid over the years, especially in SSA.

Earlier studies on aid effectiveness focused mainly on the question of whether aid works or not (see Cassen et al., 1986; Krueger et al., 1989; Lipton and Toye, 1990; Riddell, 1987; Mosley et al., 1991), with conflicting results. The discourse on aid effectiveness centers around three main views:

1. The first is that aid is not effective because aid inflows raise the effective real exchange rate, resulting in declines in the tradable sector – otherwise known as the Dutch disease effect (Gupta, 1970; Mosley et al., 1987; Doucouliagos and Paldam, 2009).

2. According to the second view, aid has improved economic outcomes, though the impact of aid could be enhanced if it was properly organized, targeted and managed through well-functioning structures and institutions in both the donor and recipient countries (Papanek, 1973; World Bank, 1998; Burnside and Dollar, 2000; Collier and Dollar, 2002; Collier and Dehn, 2001; Collier and Hoeffler, 2002; Collier and Dollar, 2002; Chauvet and Guillaumont, 2002; Burnside and Dollar, 2004a; Burnside and Dollar, 2004b). Indeed, while acknowledging the existence of aid failures and sustainability challenges, Riddell (2007) finds that the evidence in support of aid effectiveness is overwhelmingly positive, with over 75% of projects considered to have met their immediate objectives.

3. The third view submits that aid has had adverse *systemic* effects on recipient countries (Rahman, 1968; Griffin, 1970; Griffin and Enos, 1970; Weisskopf, 1972; Mosley, 1980; Gupta and Islam, 1983). The adverse effects enumerated in the literature include dependency, corruption and unconstitutional leadership.

Burnside and Dollar (2000) carried out one of the earliest cross-country studies of aid effectiveness and concluded that the presence of sound fiscal, monetary and trade policies is *sine qua non* for aid to exert a positive effect on per capita growth. However, applying a similar methodology, Rajan and Subramanian (2008) could not establish the positive effect of aid on growth with or without ‘good’ policies. Collier (2006), on the other hand, finds a nonlinear relationship and concludes that the effect of aid on growth tends to be positive on average, but with the qualification that beyond 8% of GDP, aid ceases to be effective. Such differences in results may be attributable to the nature of the relationship between aid and growth: both aid and growth are multifaceted and multidimensional, and the effect of aid on growth is susceptible to potential lags.

Given the challenges associated with cross-country assessments of aid effectiveness, a number of studies prefer to rely on disaggregated country-specific data, as in the case of the Nordic Institute study (Carlsson et al., 1997). The focus has now also shifted toward more general development outcomes, rather than growth per se. These outcomes include job creation, entrepreneurship, consumption, investment, savings, nutrition, school enrolment and completion rates, mortality rates, and life expectancy. This broader end view, gives a better picture of aid effectiveness in general (see, for example, Boone, 1996; Miguel and Kremer, 2004; Baranov, Bennett and Kohler, 2012).

Certain studies have attributed the observed weakness in aid effectiveness to the fungibility of aid, which often results in the reallocation of aid from investment to consumption – the former being productive and growth-enhancing while the latter is non-productive (Burnside and Dollar, 1997; World Bank, 1998). This phenomenon occurs either because the increase in rates of investment is disproportionate to the rise in aid inflows or consumption spending negatively impacts on growth. It is important to note, however, that the effects of productive and non-productive spending on growth are normative and differ across countries. For instance, Lin (1994) established that while spending on what may be categorized as non-productive sectors had little influence on growth in developed countries, it actually had significant positive effects on growth in developing countries. More recently, Kweka and Morrissey (2000) found that for Tanzania, while public consumption has a significant positive effect on growth, public investment has the opposite effect.

Syntheses of the literature appear to corroborate the view that there is little consensus on aid effectiveness (White, 1992; Hansen and Tarp, 2000; Morrissey, 2001 and 2002; Hermes and Lensink, 2001; McGillivray, 2003; McGillivray et al., 2005; Arvin and Lew, 2015). Nonetheless, a recent comprehensive review reaches the conclusion that “aid has a positive and significant causal effect on growth in the long run” (Arndt et al., 2010)

4.2 Governance and Aid Effectiveness

One key area which both development finance partners and donors have highlighted as essential for aid effectiveness in SSA is ‘good governance’, defined as “the manner in which power is exercised in the management of a country’s economic and social resources for development” (World Bank, 1992, p.1). The most practical way to promote this has been via aid conditionality, whereby aid is contingent upon the existence of basic good governance structures or promises by the aid-recipient country to undertake reforms aimed at building these structures. This often involves both economic and political forms of governance. Through this process, some donors have indeed succeeded in achieving governance and public sector reforms in certain aid-recipient SSA countries.

The World Bank’s adoption of good governance as a principle for giving aid to Africa can be traced back to the perceived prevalence of governance crises in SSA in the 1980s (World Bank, 1989). These were seen as the outcome of a combination of factors: the lack of aid effectiveness in the countries in the region; wanton misuse, mismanagement and misappropriation of aid; and a limited or absence of commitment to reform by recipient SSA countries. To this end, the World Bank has devised six key dimensions of good governance as conditions for receiving aid: the rule of law; voice and accountability; government effectiveness; lack of regulatory burden; control of corruption; and independence of the judiciary (Kaufmann, Kraay and Zoido-Lobaton, 1999). The Bank’s policy-based lending is often contingent on these conditions.

Despite observations in the literature that pressing for these conditions as a prerequisite for giving aid has not significantly improved aid effectiveness (Gwin and Nelson, 1997), the World Bank is of the view that aid is effective only in the context of good governance and strong institutions (World Bank, 1998; Burnside and Dollar, 1997 and 1998; Devarajan, Dollar, and Holgren, 2001). Where such institutions do not exist, aid has been associated with negative outcomes that include increased corruption, weakening the rule of law and deteriorating bureaucracy (Knack, 2000). Collier and Dollar (2001, p. 21), for instance, state that “Aid allocation needs to take corruption into account because, even if aid cannot significantly reduce corruption, corruption can significantly impair aid effectiveness”. Hence, they argue that there is a need to promote good governance and provide technical assistance for institutional reforms as conditions for giving aid in SSA countries.

The solution to promoting aid effectiveness, therefore, was to focus on giving aid to countries that have shown evidence of good governance or at least have demonstrated genuine commitment to improve governance. This led the World Bank to introduce further reforms aimed at giving good governance a higher priority in aid giving. This is an example of their commitment, like that of many other institutions, to taking the aid effectiveness campaign to a higher strategic level, particularly in terms of their resource allocation decisions. Three main instruments have been introduced to achieve this objective: Country Assistance Strategies (now called the Country Partnership Framework); Poverty Reduction Strategy Papers; and Institutional and Governance Reviews. The Bretton Woods Institutions endeavor to operationalize country ownership (one of the key principles of aid effectiveness) by aligning its Country Assistance Strategy with recipient countries' Poverty Reduction Strategy Papers. Several of the World Bank/IMF's concessional lending facilities now depend largely on governance and policy reforms. The general view is that while aid might be ineffective in inducing and sustaining policy reform, it is effective in stimulating growth (Hansen and Tarp, 2000 and 2001); but with the caveat that aid works better in countries with good policy environments (Tarp 2000).

Bourguignon and Leipziger (2006) cite evidence from Asian and African countries to support the view that aid can be productively used to accelerate growth and reduce poverty. They cite the examples of Korea and Taiwan in the 1960s and 1970s, and of Bangladesh and Indonesia in the 1980s. In SSA, a group of eleven countries are also cited as examples of countries that experienced high and sustained growth (averaging 2.5%) as a result of increased aid inflows of over 10% of GDP between 1994 and 2003 – although the levels of success in these countries is not as extraordinary as in the Asian examples.

4.3 African Voices

The literature on aid effectiveness is dominated by non-African authors. This implies that the agenda for the aid effectiveness discourse in Africa is not set by Africans themselves. However, many Africans have undertaken research on the topic and surveys have been conducted to document African voices, by African and non-African researchers alike. A review of some of these 'voices' is presented below. The evidence is drawn mainly from traditional academic sources – for example, well-established peer-reviewed journals, books and working papers. The review also cites (where deemed appropriate) local and international news sources.

4.3.1 Non-survey sources – general issues

A comprehensive study on aid effectiveness in SSA was conducted by the Nordic Africa Institute in 1997, and provides many country studies: Botswana, Burkina Faso, Ghana, Kenya, Mali, Senegal, Tanzania and Zambia (Carlsson et al., 1997). Focusing on the management capacity of recipient countries, the relationship with donors and the sustainability of aid, the study concludes that ODA is capable of promoting economic development under certain circumstances. The study identified specific successful interventions in building health posts, clinics, schools, roads, bridges and manpower development. Based on these case studies, the project identified the factors responsible for the success or failure of aid: the macroeconomic environment in the recipient country, the capacity and willingness of the recipient country to harness aid resources effectively, the degree of aid tying, the level of coherence among donors, and the nature of the donor-recipient relationship. The study concluded that Botswana was the only country among the sample countries of aid recipients that seems to have experienced high sustained growth.

Based on another collaborative study involving the African Economic Research Consortium (AERC) and Japan International Cooperation Agency, Wangwe (1998) argues that generally aid works, if properly applied in conducive environments. However, in relating specifically to SSA, his view is that such a conclusion would depend on the objectives the aid was intended to achieve. He adds that if aid is viewed as a tool for transferring resources, then the results are mixed. However, if it is viewed as a project-funding gap filler, then aid has been effective in SSA. Aid has also been helpful in import-dependent economies, in bridging the gap between investment targets, and domestic savings and foreign exchange. He traces the difficulty in identifying aid effectiveness to the Structural Adjustment Programs of the 1980s and 1990s, which blurred the goals and objectives of aid.

Wangwe identifies several factors that tend to weaken aid effectiveness, including: the lack of ownership by recipients, poor aid coordination, deficiencies in allocation of aid resources, and the proliferation of parallel projects and interventions. To make aid more effective in SSA, he suggests that both donors and SSA countries need to promote improved resource use planning and domestic macroeconomic management. Other factors he identified as important are the capacity of recipients and the level of accountability in the use of aid resources. In addition to promoting ownership by recipients, the aid relationship between donors and recipients needs to be improved, and the perverse incentive structures that breed bureaucracy in both donor and recipient countries need to be addressed. Specific to donors, the focus should be on guaranteeing long-term investment commitments as a way of assuring sustained growth. Also imperative is the development of a framework for managing the conflict between short-term imperatives and longer-term sustainable objectives.

Oyugi (2004) is critical of aid effectiveness in SSA. Throwing money, projects and external expertise at SSA as a way of tackling the challenges in these countries will not bring the desired changes: “The truth of the matter is that the African economies are worse off now, than before they began to attract foreign aid. Poverty is increasing everywhere in Africa, despite increased inflows of external resources” (Oyugi, 2004:51). He likened aid to a storm cloud that in most cases ended up destroying social infrastructure and increasing the debt burden, without boosting the economy.

In Oyugi’s opinion, given the volume of aid (budget support) for Uganda and Tanzania, these countries should have the highest growth and per capita income in Africa. But the opposite is true. In contrast, Kenya did not collapse as a result of the withdrawal of aid by multilateral institutions for about two decades under President Arap Moi. Based on these contrasting experiences, he concluded that real development can only be made possible through local efforts and the prudent use of local resources by government, with the effective participation of citizens. Without completely discounting the potential positive effect of aid, he suggested that aid must be used to stimulate local capacities in the context of a policy framework negotiated and mutually agreed between local social groups.

In another research study, Wangwe (2006) repeats his earlier assertion that the impact of aid on most macroeconomic variables is neither simple nor straightforward, and has mixed outcomes. In addition to the issues highlighted in Wangwe (1998), he cites varying policy environments as an additional factor blurring the possible causal relationship between aid and macroeconomic variables. His key observation is that institutions matter in mediating the impact of aid dependency. He posits that aid is capable of impacting development through its impact on institutions and governance, and through the way it is managed. Suggested solutions for achieving this outcome are: promoting improved coordination, redefining partnerships and promoting ownership, enhancing capacity building and the capacity to manage change, improving budget management systems, reducing transaction costs, and developing and managing an exit strategy.

Batana (2009) assessed aid effectiveness in the context of its contributions to social services, especially health and education. This assessment was motivated by the significant shift in donor focus to social sector support in Africa in the 1990s and 2000s. The effect of aid on wellbeing was evaluated using Demographic and Health Surveys at multiple time points for ten SSA countries.[15] The study employed structural equation models with latent variables based on stochastic dominance analysis to compare the evolution of assets and health as indicators of wellbeing. It found that assets and health had improved over the previous two decades in most of the countries considered in the analysis. The author concluded that aid from NGOs that is targeted directly at individuals and communities, especially for education, health and other social sector interventions in rural areas, is likely to lead to improvements in welfare.

Moyo (2009) advanced the earlier thesis that while aid may appear to work at the micro level, it does not seem to lead to any sustained long-term benefits at the macro level. This view hinges on the supposition that aid effectiveness should be gauged, not by the success recorded at project level, but by the contributions toward long-term sustainable growth. She provided two examples to back up this assertion: (1) The effects of food aid given directly to small farmers, versus using aid to buy food from African farmers for distribution in needy areas; and (2) importing mosquito nets from outside the continent versus supporting local manufacturers of nets for local use. She prefers the latter in both scenarios, given the macroeconomic implications.

Of course, this view is not entirely new; aid agencies have long been grappling with such challenges, particularly since the 1990s. Aid appears to be successful at the micro project level because these interventions are insulated from political interference. However, the successes recorded at this level do not usually guarantee or translate to success at the macro aggregate level. For instance, Easterly (2007) is of the opinion that while aid may not be sufficiently effective at the macro level, it is

[15] The countries are Burkina Faso, Cameroon, Ghana, Madagascar, Niger, Nigeria, Tanzania, Uganda, Zambia and Zimbabwe.

capable of creating significant opportunities for poor people at the individual level through helping them fill specific needs that may include health, education and skills-building.

Mwega (2009) examined aid effectiveness in Kenya, with a focus on the health sector. The study assessed three issues that are believed to exert a strong influence on aid effectiveness in SSA: coordination and harmonization, fragmentation, and volatility. The author reviewed efforts being made in Kenya to ensure effective aid coordination with a view to promoting effectiveness. The findings reveal that the key challenges include a disconnect between central and line ministries, and a lack of decentralized donor missions.

Kaberuka (2011) asserts that aid has generally been effective, successful and positive; albeit with the caveat that performances across SSA countries have varied over time and space. He recounts numerous success stories, especially at the project level. The success stories include Botswana, Rwanda, and Guinea-Bissau. Botswana's success is based on sound policies and good governance, both of which are conducive to aid effectiveness; while Rwanda's success is as a result of the country's stability during the post-genocide era.

Africans, therefore, seem to hold similar views on aid effectiveness, particularly in terms of the limited impact of aid on economic growth, and the varying impact across countries and interventions. There also appear to be similar views on the challenges limiting aid effectiveness on the continent, albeit with cross-country variation. The key factors influencing aid effectiveness include: the macroeconomic environment, the strength of existing institutions, donor motives for giving aid, and the capacity for managing aid in recipient countries. The following section deals with more specific issues related to aid effectiveness.

4.3.2 Non-survey sources – specific issues

Aid and Growth

Mallaye and Yogo (2013) found a positive impact of aid on SSA growth under a stable economic and political environment. This finding established that the main transmission channels are education and governance. They also observed that the positive effect of aid on growth in a post-conflict setting is transmitted through investment in public goods, especially infrastructure.

Based on a sample of 40 member countries of the African Union, Loxley and Sackey (2005) established the positive effect of aid on growth, primarily through investment. Similarly, Juselius et al. (2011) found that aid has a positive effect on macro variables in SSA, including growth. Their empirical findings indicate that in 27 of the 36 countries studied, aid had a positive and significant effect on either GDP growth, investment or both. However, they also find that in the remainder of the countries, the aid effect was not significant or was actually negative. These results suggest that the macro effects of aid are likely to be country or context specific.

Aid and Debt

In addition to the lack of conclusive evidence on the impact of aid on growth, the 'discontent' with external aid in Africa is also associated with external debt. Loans are considered as part of aid, as long as the package contains a 'grant element' of at least 25%. Hence, larger amounts of aid may result in higher debt levels, with potential negative implications for growth. Debt accumulation has tended to adversely influence growth in SSA (Fosu, 1996 and 1999), with significant long-term implications – often termed the aid 'hangover'.

Ouattara (2006) studied the effects of aid flows on key fiscal aggregates in Senegal between 1970 and 2000, paying particular attention to the nexus between aid and debt. The main findings are as follows: the impact of aid flows on domestic expenditure is statistically insignificant; relatively large shares of government resources are employed for servicing debt; and debt servicing exerts a significant negative effect on domestic expenditure. These results suggest that the negative implications of aid on fiscal expenditure go far into the future, through debt servicing, rather than via contemporaneous aid flows.

In this regard, aid can also affect the composition of public expenditure. For example, while ODA appears to shift public expenditure toward the 'social sector' (education and health) in SSA, effective debt servicing has the opposite result (Fosu, 2007, 2008a and 2010). Indeed, the negative indirect impacts of debt can outweigh the positive direct effects of aid (Fosu, 2010).[16] On net, ODA is likely to shift public expenditure away from the 'social sector', once the 'hangover' effect of debt servicing is accounted for.

Emerging Donors – Chinese Aid

Berthelemy (2011) finds that Chinese assistance does not appear to increase aid fragmentation in recipient countries. Kilam (2016) estimates a robust positive relationship between the level of Chinese aid and the number of Chinese projects in a country, and the level of bilateral aid from G7 donors, even after accounting for standard economic and political factors. Thus, DAC donors tend to use bilateral aid to tackle the increasing influence of China in Africa, by delivering more aid to countries with natural resources or countries of strategic political interest.

Kishi and Raleigh (2015) provided empirical evidence to corroborate the claim that Chinese aid to African countries increases the risk of civilian abuse. It is often claimed that financial resources from China are used by government officials and politicians to perpetrate violence. The study established a statistically significant and positive effect of Chinese aid on state conflicts, especially state violence against

[16] Fosu (2010, tables 2 and 3) report magnitudes of the estimated effects to be at least seven times higher for debt than for ODA.

civilians. It also found that government leaders use the aid to entrench themselves in power through suppressing political competition. The study could not establish a similar relationship for Western aid.

Tied Aid

Osei (2003 and 2004) investigated the prices of tied foreign aid imports by estimating the price differentials between tied aid imports and non-aid imports from bilateral sources to Ghana. The study established a significant mark-up on the prices of imported items for tied aid relative to non-aid imports. It found that the difference amounted to a significant cost for Ghana.

Aid Modalities

Aid modalities matter for aid effectiveness. For example, Mavrotas (2005) examined the impacts of different aid modalities for Uganda. Project aid and food aid tend to cause reductions in public investment; conversely, program aid and technical assistance were found to be positively related to public investment.

Similarly, Mavrotas and Ouattara (2003) estimated a fiscal response model based on aid disaggregation and aid endogeneity for Côte d'Ivoire. They found that increases in project aid encouraged public consumption at the expense of public investment. In contrast, increments in technical assistance and food aid encouraged public investment and discouraged government consumption.

4.3.3 Surveys

The results from non-survey macro analyses of aid effectiveness provided above, while useful, are rather incomplete. The methodology is unlikely to shed sufficient light on micro issues of importance to the aid effectiveness debate. Survey, micro-focused analyses are required to complement these. Thus, this section examines the relevant survey-based literature.

A number of surveys have shed light on the role of foreign aid. For example, Hoffman and Gibson (2005) investigate how foreign aid affects democracy at the sub-national level in Tanzania using district development plans, Afro-barometer surveys, and foreign aid data. The study established that the large inflows of external funds substantially change the relationship between politicians and citizens. In particular, they found that foreign aid allows politicians to neglect their constituents in favor of donors, thus weakening the trust and social contract between leaders and citizens. The study then supports the view that aid can erode *institutional formation*.

Examining the relationship between *tied aid* and project outcomes in Ghana, Aryeetey et al. (2003) conducted a survey in three major sectors: roads, electricity and water. They considered fifteen donor-funded projects within these three broad activities. They found the projects to be beneficial to local communities but concluded that these benefits would have been greater without aid tying or donor conditionality. An analysis of the procurement processes showed that 75% of projects examined were not competitively procured due to aid tying. This ‘monopoly’ of power results in higher prices and tends to reduce the impact of tied aid projects in Ghana. Thus, a significant amount of resources is lost through aid tying. Finally, the study established that projects executed through tied aid were unable to contribute to strengthening local capacity because most contracts were usually single-sourced and in many instances excluded local contractors.

A report by Wike and Simmons (2015) sheds light on *public opinion* on external aid. Based on a survey conducted by the Pew Research Center in nine SSA countries (Burkina Faso, Ethiopia, Ghana, Kenya, Nigeria, Senegal, South Africa, Tanzania and Uganda), involving over 9,000 respondents between March 25 and May 21, 2015, the authors examined the perceptions on foreign aid programs in these countries. The results indicate that a median of 70% of respondents, across all the nine countries, expressed some confidence that foreign donor groups are capable of solving the development challenges facing their country. In addition, a median of 68% considers foreign aid interventions to be effective, while 60% support the belief that aid interventions are beneficial to people in real need. Despite the progress that has been made, and the widespread optimism about the future, residents of these countries still believe their countries need foreign assistance. A median of 68% even believe that their country needs more foreign aid than it currently receives, with South Africa being the only outlier (only 26% held this view).

However, alongside these positive views on aid, there was evidence of underlying discontent. Considerable shares of the sample across countries perceive foreign assistance programs as either corrupt (median of 53%) or inefficient (45%). In none of the countries did they find a majority expressing confidence in international aid organizations. Thus, while citizens appear content with the potential benefits from aid, they are nonetheless skeptical about its delivery.

Many prefer donor-funded projects. For instance, Milner et al. (2016) employed a survey of behavioral outcomes to determine whether Ugandans viewed development projects funded by the Government differently from those funded through donor interventions. The results indicate citizens are significantly more favorable toward foreign aid projects than government programs. This view was based on perceptions of the Government as corrupt or exhibiting patronage tendencies. Citizens tend to trust donors more and believe they are more effective; they are also not opposed to aid conditionality. Their view is that donors implementing development projects can help mitigate the potentially adverse behavior of corrupt government officials.

Findley et al (2016) examined the question: ‘Does foreign aid enable or constrain elite capture of public revenues?’ by comparing elite and mass support for foreign aid versus government spending on development projects. This assessment was undertaken through a survey experiment that focused on the behavioral outcomes of members of the Ugandan national parliament and a representative sample of Ugandan citizens. The findings reveal that members of parliament support government programs over foreign aid. In contrast, citizens prefer interventions through aid to government, thereby supporting the argument that citizens see aid as a means of mitigating against clientelism. These results demonstrate the *differences* in perceptions of foreign aid, as hypothesized above.

Lovgren (2014) seeks to identify perceptions of foreign health aid among individuals, health care workers (HCWs), and policymakers in three East African countries: Kenya, Uganda and Ethiopia. The study adopted a qualitative exploratory study design and administered 81 questionnaires to individuals, HCWs and policymakers. The questionnaires were designed to capture perceptions of foreign aid, health aid and the USA as a donor. Responses were compared between groups and across countries. The findings show that perceptions vary across individuals ('a little'), HCWs ('some') and policymakers ('a lot') on how much foreign aid a community receives. Respondents exhibited positive expressions toward the USA, irrespective of their perceptions about the actual level of aid from that country. Two factors that influenced the perceptions were profession and country of origin. However, aid priorities were found to be similar among all sample countries, with participants across the sectors prioritizing health care, education and economic development.

Siyoum et al (2012) attempted to determine the impact of decades-long food aid transfers on the dependency and livelihood activities of people in a chronically food-insecure district in Amhara region in Northern Ethiopia. The study involved ethnographic fieldwork with a sample of 112 current and past food-insecure households that had benefited from food aid for a period of 18 months. Contrary to expectations, the study found that food aid made a limited contribution to the overall household food needs. The results also revealed that because transfers comprise only a small amount of total food consumption needs, households do not rely on food aid alone to cover their food gaps. Expressed discontents included: unreliable delivery due to delays in food aid transfer, having to share transfers with other unregistered households, and the lack of full family targeting. To compensate for these deficiencies associated with food aid, households would engage in other livelihood activities, including inefficient subsistence activities, in order to cover household food gaps.

4.3.4 Specific expressions of discontent

While the above views are based on academic studies, there are other African views that represent opinions based on casual observations or experiences. Presented here is a sample of such views, arranged chronologically.

Joshat Karanja, a former Kenya member of parliament is quoted as having said: *"Foreign aid has done more harm to Africa than we care to admit. It has led to a situation where Africa has failed to set its own pace and direction of development free of external interference. Today, Africa's development plans are drawn thousands of miles away in the corridors of the IMF and World Bank. What is sad is that the IMF and World Bank 'experts' who draw these development plans are people completely out of touch with the local African reality"* (Ayittey, 2002).

Ayodele et al. (2005) assert that aid has engendered dependency rather than development, citing the examples of Ghana and Uganda, where budgets were 50% reliant on aid and much of the aid received was simply looted. Former President of Senegal, Aboulaye Wade, affirms the ineffectiveness of aid in Africa: "I've never seen a country develop itself through aid or credit" (Ayodele et al., 2005).

Akonor (2007) is of the opinion that foreign aid is not a panacea for Africa's development woes: "Foreign aid so far has created a welfare-continent mentality and has become the hub around which the spokes of most African economies turn… Moreover, dependence on foreign aid has compromised the sovereignty of African states."

According to Jallow (2010), foreign aid serves a useful purpose when it is provided to alleviate temporary hardship, as in cases of natural disasters such as droughts. However, he argues that the experience in Africa has shown that aid recipients easily construe foreign aid as a substitution for their own productivity. Therefore, Jallow is of the view that food aid has suppressed food production, undermining the prices of locally-produced foods. This has led to significant reductions in agricultural production as farmers migrate from rural to urban centers, creating a shortage of farm workers and exacerbating the food production deficit. He also identified another worrisome effect of foreign aid: the entrenchment of a culture of corruption that has taken root at every level of governance. Today, continues Jallow, corruption has become the way of life in most countries. Theft, bribery and embezzlement of aid (including government-owned resources) is now endemic.

Lamenting the 'paradox of plenty' in Africa, former President Alpha Conde of Guinea asserts (Rybak, 2013): "I do not want to live in dependence on the generosity of others when our resources can make us prosperous and strong". This opinion illustrates the tendency of countries to rely on external aid for development, instead of their own resources. This implies that, in the absence of aid, African countries would be compelled to utilize their resources more effectively.

According to Mhaka (2013): "Foreign aid has, to a larger extent, retarded development in Africa as it has destroyed Africans' creativity. There is no doubt that the aid provided by the Western countries is premised on how to break Africa and not to build Africa and the only solution is for African countries to get help from its own, from African countries. Foreign aid does not help Africa because most of the countries providing the aid always want something in return or have their interests in the receiving country and therefore it is not really aid. Where it is genuinely offered, it becomes concentrated in the hands of a few and does not get to the intended sector or beneficiaries. Foreign aid does not help development in Africa. In fact, it hinders it. This is so because these handouts encourage dependency and corruption. Foreign aid can be a curse when it makes beneficiaries not only dependent, but also lazy and hopeless".

Furthermore, Spooner (2015) asserts that, for certain African countries, it seems that long periods of high levels of aid have created aid dependency. This is a serious problem, according to Spooner, as governments lose their ability to lead and their accountability to citizens is eroded; the problem is persistent and hard to address.

Anima (2016) observes that even though foreign aid has had some beneficial impacts on the African continent, particularly when applied to infrastructure, the negative effects tend to outweigh the positive. These adverse effects are evidenced by the increasing levels of corruption, with leaders using a large chunk of the foreign aid on luxury items and undermining the need for robust governance on the continent.

Despite all these African voices of discontent, the President of Liberia, Ellen Johnson Sirleaf, expresses the view that (Sirleaf, 2011): "Even though we must aim to abolish the need for aid, but that time has not yet come... I have seen, at first–hand, how aid, effectively targeted and delivered, reduces poverty. In sub-Saharan Africa, there have been major improvements in child health and in primary school enrolment over the last two decades. To choose one example, between 1999 and 2004, the continent achieved one of the largest reductions in measles' deaths ever seen. These positive results and outcomes would not have been possible without the support of donors such as the UK's Department for International Development, complementing the resources which low-income countries mobilize domestically. In my own country, Liberia, both humanitarian and development aid have helped us recover and rebuild from the devastation and trauma of civil war, improving the future for the millions directly involved and affected".

These expressions are by and large subjective. Nonetheless, they are based on the experiences of the respective actors and represent examples of the range views across Africa on aid effectiveness. They point to the need for more exhaustive studies of these and related issues across different constituencies in Africa.

4.4 African Institutions

Certain African institutions have responded positively to the aid effectiveness challenge in Africa, through initiatives that aim to incorporate aid effectiveness into their programmatic interventions. Below is a discussion of some of these actions by selected African institutions.

The African Development Bank

In response to the 2005 Paris Declaration on Aid Effectiveness, the African Development Bank in 2011 adopted a Road Map for Improving Performance on Aid Effectiveness and Promoting Effective Development as a strategy for regional member countries. The Road Map focused on three key areas where the Bank thought the positive effect of transformation change could be best felt (AfDB, 2011): strengthening transparency and accountability for development results, expanding the use of country systems to reinforce country ownership, and enhancing field-level engagement by increasing decentralization. Rather than provide a blueprint, the Road Map presents a framework for prioritizing, coordinating and guiding the Bank's efforts toward promoting aid effectiveness. Five mutually reinforcing areas for action in implementation of the Road Map are: raising awareness and reinforcing priorities; mainstreaming the monitoring of aid effectiveness; reviewing Bank policies, processes and practices; operationalizing guidance on policies, processes and practices; and engaging in international dialog on aid effectiveness.

An independent assessment of the Bank's progress toward improving aid effectiveness in SSA shows mixed results (AfDB, 2011). The assessment was based on reviews of Bank policies, country strategies and portfolios of regional member countries. The assessment reveals that the Bank has made some progress on policy ownership, leadership and harmonization. Seven specific areas were identified where progress had been made: increased use of budget support to respond to the demands of regional member countries; active promotion of aid effectiveness at country levels by establishing field offices in almost all regional member countries; strengthening the broad-based ownership of the Country Strategy Papers that form the basis for the Bank's country-level engagement and aligning country programs with country priorities; development of country strategies in close consultation with country stakeholders; regular provision of public financial management and economic governance for the purpose of strengthening country ownership and leadership of the proposed country-level interventions; support for country-level statistical systems in support of harmonization and results-based management; and the development of good practices involving mutual accountability resulting from stronger country-level partnerships.

The African Union Commission

The African Union Commission (AUC) has created several forums and frameworks for promoting aid effectiveness in Africa. They include the AUC/New Partnership for Africa's Development (NEPAD) Platform for Development Effectiveness, and the Africa Action Plan on Development Effectiveness. These are the products of a larger framework encapsulated in the Agenda 2063, the NEPAD Agenda, the 2011 African Consensus and Position on Development Effectiveness, and the African Position for the Post 2015 Agenda. Through these mechanisms, the AUC has been coordinating Africa's response to aid effectiveness and to development effectiveness. It has also been actively involved in giving a voice to the reform of the global aid agenda through the review of proposals on the governance of the global aid architecture and monitoring mechanism.

The establishment of the Africa Platform on Development Effectiveness (APDEv) in 2011 was one key action aimed at contributing to the aid effectiveness dialog. This physical and virtual multi-stakeholder platform allows for coordination and consultation, and acts as a forum for articulating and consolidating the African voice on aid effectiveness. It is based on three pillars – capacity development, aid effectiveness and South-South cooperation – which are believed to be the main drivers of development effectiveness. The Platform seeks to provide effective collaboration between all stakeholders, including national governments, law makers, CSOs, private sector actors, regional economic communities, and research and academic institutions. The AUC also organizes a regular Regional Meeting on Aid Effectiveness, jointly with the African Development Bank and NEPAD.

AFRODAD

Finally, with a focus on Liberia, AFRODAD (undated) provides a recipient country-specific assessment of efforts toward improving aid effectiveness. The study assesses the country's mechanisms for aid effectiveness with a view to determining the interactions between donors and the country in the context of country-level aid coordination. The analysis places emphasis on ownership and mutual accountability. One of the major country initiatives for enhancing aid effectiveness was via improved public financial management, albeit through the donor-supported Governance and Economic Management Assistance Program. While multilateral donors focused on economic policy-related issues, bilateral donors focused more on emergency aid, in an effort to support the country during post-crisis recovery. Several factors were highlighted as limiting aid effectiveness: a lack of accountability to the Government of the aid-providing NGOs; the parallel management of aid projects and activities; and the limited capacity of the Ministry of Planning and Economic Affairs to effectively track, monitor and evaluate the activities of donors. The report also notes a worrying lack of a strategy for exiting aid dependence.

4.5 A Comparative Assessment of Actors' Insights on Aid Effectiveness in SSA

The above review has attempted to establish the disparate views and insights of different actors (from academia and policymaking) on aid effectiveness in SSA. It is obvious that these views are generally divergent across space, time and persuasion; though there is convergence in some instances.

One important area of divergence and discontent is aid effectiveness at the macroeconomic level in a cross-country context. This divergence is particularly apparent in the literature developed in the early 2000s, as illustrated by differences between Burnside and Dollar (2000), on the one hand, and Rajan and Subramanian (2005), on the other. The former concluded that aid effectiveness is stronger and better in countries with good policies but less effective in those where good policies were absent. Rajan and Subramanian (five years later), however, established little robust evidence in support of the positive effect of aid on growth, even in the presence of good policies. The divergence in findings appears to be methodological. While Burnside and Dollar adopted a modified neo-classical growth model that incorporated aid, Rajan and Subramanian employed instrumental variables that corrected for possible biases engendered by the reality that aid typically goes to poorer and poorly-performing countries. Methodological differences may, therefore, lead to divergences in views concerning aid effectiveness. So, despite the huge amounts of ODA over several decades, we are still grappling with whether or not aid has been effective on aggregate.

Motivation for aid is another major area of discontent and divergence. As discussed above, the factors identified as important determinants of foreign aid include, on the side of donors, political, economic and policy considerations – specifically, colonial alliances, strategic concerns and ideological stances – as well as humanitarianism concerns; and the level of openness and the nature of democratic institutions in recipient countries (Meernik et al., 1998; Schraeder et al., 1998; Alesina and Dollar, 2000; Nunn and Qian, 2014). It is hardly surprising that if political considerations, rather than the economic needs of recipients, are the main basis for supplying aid, then aid is likely to be ineffective.

The motives may be classified according to three schools of thought: the realist, idealist and neo-Marxist (Schraeder et al, 1998). The realist paradigm, dominant during the Cold War era, emphasizes strategic state interests as the key motivation for providing aid. The overriding interests identified include economic interests, security concerns and self-preservation. The idealist perspective, on the other hand, emphasizes humanitarian concerns as the motivation for supplying aid, with the view that aid provision is capable of mitigating the poverty and humanitarian challenges facing developing countries. Finally, according to the neo-Marxist approach, economic interests provide the overriding motivation for giving aid. It argues that the donor-recipient relationship leads to North-South polarization, widening inequalities between these groups of countries at the expense of the South. Thus, contrasting views regarding aid effectiveness might, in a theoretical sense, be expressed through these different schools of economic thought.

The debate on aid effectiveness among Africans is not distinct from the general discourse on aid effectiveness. The views expressed by African actors depend on the school of thought to which they belong. For example, a number of African experts align themselves with the idea that while aid can be effective, it is limited by challenges related to its delivery (for example, Aryeetey et al., 2003; Wangwe, 1998 and 2006; Batana, 2009; Mwega, 2009; Jallow, 2010; Mallaye and Yogo, 2013; Kilam, 2016). These authors believe that institutional weaknesses emanating from poor monitoring and evaluation by donors tend to promote corruption and weaken aid effectiveness. This appears to be the dominant view among African voices.

The second category of African actors is very critical of aid, claiming that ODA is incapable of inducing the sustainable development aspirations of SSA. These include Akonor (2007), Ayodele et al. (2005), Mhaka (2013) and Moyo (2009a, 2009b). They base their views on the belief that aid engenders dependence, kills initiative and ingenuity, fuels corruption, breeds ineptitude, and increases the risk of civilian abuse. This is consistent with much of the general debate on aid (in)effectiveness.

Moyo can be singled out as an extreme example of this latter category, asserting that while aid may appear to work at the micro level, it does not lead to any sustained long-term benefits at the macro level. Based on this perception, she advocates scrapping aid altogether, rather than attempt to address the challenges constraining aid effectiveness.

Nor are policymakers in agreement on aid effectiveness and its modalities. For example, President Ellen Johnson Sirleaf of Liberia, and Donald Kaberuka, former President of the African Development Bank, believe that aid has been generally effective, successful and positive, although with the obvious caveat that the results have been uneven across countries. Sirleaf bases her assertion on her personal experience as President of Liberia, while Kaberuka refers to his 10 years of continental experience as the President of the African Development Bank.

However, contrasting views are held by people with similar experience. The former president of Guinea, Alpha Conde, for example, believes that aid has engendered dependence and retarded SSA growth by destroying African ingenuity; by focusing their attention on external support many countries have ignored their own wealth of domestic resources, which are capable of delivering the desired sustainable growth. Others in this category include former President of Senegal, Aboulaye Wade, and Joshat Karanja, a former member of the Kenyan parliament.

Nevertheless, among African institutions, there appears to be a consensus that aid is effective and can be improved by addressing institutional challenges constraining and limiting its effectiveness. This explains why these institutions, particularly the African Development Bank, the African Union Commission, and the UN Economic Commission for Africa, are working assiduously to address the challenges limiting aid effectiveness. These organizations have been assisting SSA countries to strengthen their respective capabilities and institutions.

Overall, the African voices mirror the variation in the global literature on aid effectiveness. These voices are clearly influenced by views in the general literature, which are in turn predicated on both analytical methodology and ideological persuasion. The views expressed by African leaders and policymakers on the relative effectiveness of aid in SSA are also conditioned by these stakeholders' respective experiences and perspectives. Given the inconclusiveness of the aid effectiveness literature, it is imperative that objective, country-specific, and even project-specific studies be undertaken, in order to generate fruitful typologies of aid effectiveness in Africa.

5. UNDERLYING AFRICAN PERSPECTIVES ON AID EFFECTIVENESS

It is apparent from the above sections that there is a vibrant discourse on aid effectiveness in Africa. Much of the discourse is among African academics, very much mirroring the views in the general literature. Views of leaders in major African institutions and at the national policymaking level have also been documented. It is clear that there is much divergence among the views of these actors on aid effectiveness in Africa.

What accounts for this divergence in perspectives? In an attempt to answer this question, this section briefly discusses the experiences with aid on the continent – both the successes and challenges.

Successes

Aid has recorded significant successes in SSA over the years, especially when examined at the project-specific and country-specific level. At the project level, humanitarian aid has helped halt the worst possible humanitarian crises in fragile states, such as the Democratic Republic of Congo, Central African Republic, Liberia, Sierra Leone and Somalia. Aid has had a significant impact on halting the spread of the HIV/AIDS epidemic, particularly in Southern Africa. Water-borne diseases have been arrested across SSA countries, as has malaria and other infant-killer diseases, as essential drugs and medicines are made available across the region.

At the national level, several countries that were heavily aid-dependent have graduated from the least developed country category. Two of these countries are in SSA: Botswana and Cabo Verde. As of March 2015, an additional three countries (Angola, Equatorial Guinea and Sao Tome and Principe) are in line for graduation, thanks in large part to ODA support. Indeed, these are countries that have received significant aid over the years. In addition, Angola, Ghana, Madagascar, Mozambique and Tanzania have recorded appreciable successes. Ethiopia and Rwanda are also manifesting the potential for success. Many of these countries used multilateral aid to pursue economic reforms – such as Ghana (Fosu, 2013b).

Post-conflict and fragile states in Africa have particularly benefited from external aid. Historically, such countries have depended largely on ODA for recovery (Collier, 2005). Indeed, "ODA is particularly high for post-conflict countries like Liberia (45 per cent), Burundi (38 per cent), and Sierra Leone (34 per cent), where it could help reduce the risk of conflict resurgence (Collier, 2005)."[17] (Fosu, 2013a, p. 1089)

Challenges

Given the successes, it is not surprising that certain African actors, such as President Sirleaf Johnson of Liberia – a country that has relied predominantly on aid for its post-conflict reconstruction – express such positive views about aid. Similarly, Donald Kaberuka, the former head of the African Development Bank, a pan-African institution that relied considerably on external support, has a very favorable opinion on aid effectiveness. These actors have been at the forefront of improving the lives of Africans and could not have accomplished their respective mandates without the substantial support of aid.

[17] The numbers in parentheses are average ODA levels for 2000–2007, expressed as proportions of gross national income (rather than GDP).

Despite these acknowledged successes, aid effectiveness remains weak in SSA for several reasons. First, ODA has generally not been well targeted. It has often not focused on the areas of highest need, such as infrastructure development. The infrastructure deficiency is huge and likely accounts for the sub-par performance in both the levels and efficiency of investment and, hence, in growth and employment. Unemployment remains high because basic infrastructure to support job creation and entrepreneurship development is lacking. Agriculture is the most important source of livelihoods in SSA, with as much as 70% of the population engaged in agricultural activities; yet the sector remains relatively underdeveloped. Regional infrastructure has the potential for improving regional integration, developing regional markets and harnessing the benefits of cross-border interactions between SSA countries; all of which could enhance growth and development. Yet, limited aid goes to these areas.

Second, aid initiatives are often fragmented and uncoordinated, resulting in conflicting priorities and duplication of projects. Certain SSA countries are so desperate for ‘free’ foreign financial resources that they become nonselective. This can lead to chaotic and haphazard aid delivery, with donors spending money and energy on sectors and activities that have limited potential for achieving inclusive growth and development.

Third, effectiveness is not necessarily the primary concern of donors when giving aid to SSA countries. Geopolitical considerations often constitute a major motivation, as demonstrated during the Cold War. Similarly, one of the major factors behind Chinese aid to African countries is to gain recognition and support for their government and businesses. The UK and France have also increased aid to their former colonies with a view to maintaining their political and economic influence. In addition, economic interests, including benefits accruing to donor country professionals and firms, may constitute a major rationale for aid provision. Closely related to this is tied aid which, as already discussed, can lead to considerable additional costs to aid recipients.

Addressing the Challenges

These ‘challenges’ have likely contributed to the ‘discontent’ with aid effectiveness documented above. In response, donors have made significant efforts toward improving aid effectiveness. For example, the DAC countries undertake assessments of countries’ qualifications for receiving aid every three years. Similarly, since 1999, as part of the enhanced Heavily Indebted Poor Countries Initiative, the Bretton Woods Institutions have used Poverty Reduction Strategy Papers prepared by recipient countries as criteria for providing aid. In addition, a number of frameworks have been developed to promote, deepen, broaden and modernize aid effectiveness from the perspectives of both donors and recipients. One of the most prominent is the set of High Level Forums on Aid Effectiveness – held in 2003, 2005, 2008 and 2011 in Rome, Paris, Accra and Busan, respectively. The latest one, in Busan, made significant progress toward establishing a framework for development cooperation that embraces all actors – including traditional donors, emerging South-South donors, BRICS countries, private funders and CSOs.

There are also challenges associated with emerging donors. Although aid from emerging donors represents a potential alternative to the traditional mainstream support for SSA countries, it is difficult to measure. For instance, China's engagements in SSA are highly convoluted, making it hard and sometimes impossible to separate aid from investment. In addition, the discontent expressed about Chinese aid, including the tendency toward increasing the risk of civilian abuse (Kishi and Raleigh, 2015), requires attention.

To address these issues, several approaches have been developed for assessing aid effectiveness. The traditional approach attempts to identify outputs and measure impacts. This is sometimes done on a project-by-project basis with a view to isolating the effects of aid on selected socioeconomic variables. While acknowledging that such an approach can help reveal the extent to which a particular project is able to meet the intended objectives, it is unable to measure medium- and long-term development impacts in a broader sense. This approach is also limited in addressing the potential fungibility of project aid and the hidden opportunity costs of projects. A second approach involves assessments based on the extent to which aid strengthens policies and institutional capacities of recipient countries. This approach focuses more on technical assistance through human capacity development and training to promote institutional and policy reforms, rather than the provision of direct financial resources. Indeed, the substantial improvements in institutions in Africa since the 1980s (see for example, Fosu, 2015) may largely be a result of this capacity development approach.

6. A WAY FORWARD

Demand for Aid – SSA's Responsibilities

Aid effectiveness measures should be interwoven into the long-, medium- and short-term plans of SSA countries. The starting point is for each country to develop effective and viable policies that can guide their engagement and interactions with both traditional and emerging donors. Such a strategy should provide a clear path for exiting aid as a way of avoiding aid dependency. The policies should also recognize the particular nature of aid engagement with new and emerging actors and proffer strategies for dealing with the unique challenges they present. The policies should then be integrated and incorporated into national plans.

The *aid architecture* has moved beyond the relationship between traditional donors and aid-receiving SSA countries. In addition to new and emerging South-South donors, a range of bilateral non-governmental, philanthropic and funding organizations are growing in influence. Effective coordination among all these stakeholders is imperative. To this end, each SSA country should develop a Country Assistance Framework that provides a platform for a national dialog among all development partners, with a view to ensuring alignment with national policies and priorities.

The focus must be on forging *development cooperation* and not on development aid per se. Ultimately, sustained growth in Africa will be internally-driven and private sector-led. Important areas of cooperation that should be explored are trade and investment. Africa's rich natural resources can form the foundation for industrial development. The African market is potentially huge and capable of absorbing and sustaining industrial outputs. Rates of return on investment in SSA are among the highest in the world. But the potential is stifled by a weak private sector which is, in turn, hampered by poor infrastructure, an unfavorable business environment, and poor local expertise and capacity. Effective development cooperation should help address these challenges.

To position the *private sector* as the main engine of growth, SSA countries should focus more on securing aid support for private sector development through relaxing the constraints on the performance of the sector. Investor confidence will improve with a reduction in real and perceived risks. SSA countries should focus on securing support from donor countries and institutions to help address these challenges. Donors should prioritize transformative private sector projects, rather than public sector engagements, and risk-mitigating products rather than traditional aid. The positive effects of the Africa Growth and Opportunity Act on private sector activities in Kenya, Lesotho and Swaziland, and of EU support for Kenya and Botswana are good examples of the benefits of such an approach.

Domestic resources are the most potent and sustainable sources of financing growth and development in SSA. Revenue sources include different forms of taxes such as personal income, enterprise income, value added tax, property tax and user fees. They also include revenues earned from exporting natural resources, which often constitute the bulk of revenues for resource-rich economies. In addition, pension and insurance funds, available in many African countries, represent potential sources of financing. African governments should focus on these domestically-generated revenues, but must also guarantee sufficient transparency and accountability to ensure they are used efficiently.

Capital flight is a major source of financial hemorrhage that must be stopped. Special efforts must be made to develop local capacity to understand the accounting peculiarities of multinational corporations with a view to identifying real and potential sources of non-compliance with tax payments. Widespread public awareness campaigns on the negative effects of tax evasion and avoidance on the provision of social services by government should be conducted. Capital flight cannot be successfully mitigated, however, unless the domestic environment is sufficiently free of political risks.

SSA countries should strengthen *South-South partnerships*, particularly with a view to promoting a fairer and freer global investment and trading system. Developing countries from Asia, Latin America and the BRIC countries are increasingly exerting a greater leverage in global trade, finance and other economic activities. In addition to the financial flows from traditional donors, deepening relationships with these new partners presents additional opportunities for African countries to promote inclusive growth and development through partnerships that go beyond aid.

South-South cooperation should be mainstreamed in both national and regional development plans and strategies. However, such relationships present their own challenges that require the development of new institutional mechanisms. The African Development Banks's South-South Cooperation Trust Fund is a good example; it provides technical assistance in research and policy analysis, builds human capacity, generates relevant knowledge and sharing mechanisms, and implements innovative pilot schemes in South-South cooperation. Among the emerging issues that need to be addressed in South-South cooperation are transparency, tied aid, ownership, human rights and governance, and the sustainability of debt and growth.

Supply of Aid - Donors' Responsibilities

Donors should streamline aid to avoid fragmentation, and make it more predictable and less volatile. Transparency and responsibility must be the guiding principles for their aid policy toward SSA. Development effectiveness, rather than political and economic interests, should be the overriding motive for providing aid to the region. The restrictions associated with tied aid and procurement should be relaxed in order to enhance local participation.

Effective targeting is imperative if greater aid effectiveness is to be achieved in SSA. In this regard, there should be a detailed needs assessment of activities and sectors that have the potential for increasing aid effectiveness. Job creation in sensitive labor-intensive sectors, entrepreneurship development, technical and vocational skills development, infrastructure development (particularly electricity and transportation), and developing natural resource value chains are some of the key target areas. With guidance from clear and well-articulated state policy frameworks, donors can more appropriately align their contributions to national development agendas. In some senses, this is similar to the budget-support approach currently in existence in many African countries; however, these proposals would place greater emphasis on transparency and accountability.

Concluding Remarks

A combination of aid, foreign direct investment, portfolio flows, remittances and trade is required to address the growth and development challenges in SSA. African countries must recognize that they cannot achieve inclusive growth and development through dependence on foreign aid. They need to look at more effectively mobilizing domestic resources, however limited. Aid should be solicited and effectively deployed, only as a complementary resource for development in SSA, and targeted to the most economically disadvantaged people and sectors. These targets should be *objectively* identified by African countries themselves. This objectivity could be achieved by actively involving non-government bodies in selecting the most appropriate people and sectors. Such an approach would not only improve aid effectiveness in SSA, but would also help mitigate the discontent with external aid documented above. However, further studies, designed specifically to elicit the views of the various actors, may be necessary in order to more appropriately capture the comparative perspectives of aid effectiveness and its discontents in (sub-Saharan) Africa.

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