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Institutional Destruction Resulting from Donor and Project Proliferation in Sub-Saharan African Countries

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Summary. – This note suggests that the most important feature distinguishing foreign aid in the 1970s from earlier programmes was the proliferation of donors and projects. This donor and project build-up, which continues into the 1980s, is having a negative impact on the major government institutions of developing nations. Instead of working to establish comprehensive and consistent national development objectives and policies, government officials are forced to focus on pleasing donors by approving projects that mirror the current development 'enthusiasm' of each donor. Further, efforts to implement the large number of discrete, donor-financed projects, each with its own specific objectives and reporting requirements, use up far more time and effort than is appropriate. Project consolidation is needed, but this is unlikely to occur on a significant scale because of the competitive nature of donor interactions. Second-best solutions include a greater emphasis on institution-building and new projects expressly intended to facilitate implementation of existing project portfolios.

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1. INTRODUCTION

Since the early 1970s, the economic performance of Sub-Saharan African countries has been disappointing. In per capita terms, agricultural production has fallen; there has even been a handful of countries where total farming output has decreased. The foreign donor community has argued that low producer prices, excessive reliance on inefficient parastatals and overvalued currencies have been the primary reasons for these failures.[1] The validity of these criticisms cannot be disputed and indeed, if policy changes are not made, there is very little that foreign aid can do to promote development in these countries.

However, there is another factor partially responsible for Africa's poor development performance that has not received the attention it deserves. The purpose of this article is to show how foreign donors are contributing to the breakdown of institutions in the subcontinent and to suggest what remedial actions are needed.

2. THE HISTORICAL PERSPECTIVE: FROM PROGRAMME TO PROJECT SUPPORT

In the first two decades of foreign assistance (the 1950s and 1960s), most aid took the form of programme support.[2] There were two basic types of programme support commonly offered. The first involved large infrastructure investments, such as the building of major roads and irrigation works. The second main programme activity was to provide general support to a specific sector, such as agriculture. Frequently this involved a large grant or loan to a central ministry. This would usually include hard currency, commodities, a team of expatriate technicians, and training, both in the recipient country and abroad. The technical team usually included economic planners, and it was their job to work with government authorities to determine how the foreign aid could be best utilized.

During the 1960s, donors engaged in research to find alternative approaches to development assistance. These research findings, coupled with greater pressure on donor agencies to ensure that their outlays were achieving intended results, led to more specific guidelines concerning project objectives and mechanisms to achieve these objectives. Because of this requirement for greater detail, donors increasingly favoured project to programme assistance such that by the beginning of the 1970s, the former became the primary type of donor aid. Today

the vast majority of aid is disbursed in project form.

As compared with programme assistance, project aid entails a more specific statement of objectives and means to attain these objectives. It invites more precise monitoring and evaluation than was possible earlier, and through these mechanisms, it permits greater donor control over the uses of aid monies. Finally, because there is a more detailed specification on how the money is to be spent than was true earlier, there have been serious delays in getting approval to spend aid monies.

3. DONOR PROLIFERATION

At the end of the Second World War, the United States was the only country in a position to afford concessional aid. In the immediate post-war years, most of this went to rebuild Europe. At the same time, the United States was the major financier of the organizations coming out of the Bretton Woods Agreement, most notably the World Bank and the International Monetary Fund (IMF).[3]

As economic reconstruction progressed, the number of countries offering development assistance increased. During the 1960s, there was also an expansion in multilateral assistance agencies. The oil price increase of the 1970s led to yet another group of multilateral and bilateral donors, and during that decade, members of the Eastern Bloc also increased their foreign aid activities. Table 1 indicates that taken together, there are now more than 80 multilateral and bilateral donors offering development assistance to African countries.

Table 1. *Number of organizations providing significant amounts of development assistance to African countries*, 1980

	Number
Bilateral Donors	
OECD countries	19
OPEC countries	10
Other countries	13
Total	42
Multilateral donors	
UN-affiliated	16
OPEC-affiliated	9
Total	25
Non-governmental organizations	
Total	15
Overall total	82

Source: Organization for Economic Cooperation and Development (OECD). *Development Cooperation, 1980 Review* (Paris: 1980).

Of course, there are some similarities among these groups in terms of what they are interested in providing assistance for. But each group has its own charter, each wants its own projects, and each group has its own reporting requirements.

4. BURDENS IMPOSED ON DEVELOPING COUNTRIES

The expansion of project lending and the proliferation of donors have imposed heavy burdens on developing nations. The purpose here is to describe these burdens and show how they have contributed to institutional destruction.

Quite obviously, it takes time to keep track of the interests of 82 different donors. Each donor has its own development goals and each has its own project preparation requirements. Each sends its own project preparation teams out, and each expects to meet with senior government officials.

Ways must be found to transport these project preparation teams to the field, and these teams normally expect to be accompanied by a national government official. During project negotiations, the government is asked to make a resource commitment to the project. This will ordinarily include housing for expatriates and counterpart staff. Also, it is customary for the recipient government to be asked to provide a project coordinator whose job it is to serve as liaison between the project and the donor.[4]

But donors want far more than liaison. The larger donors demand quarterly and annual reports on project progress. They also require mid-term and ex-post evaluations. There is much talk of getting recipient countries to appreciate the value of monitoring and evaluation, but to date these activities have been tailored to serve the reporting requirements of donors.

Usually, the recipient country agrees to provide more staff and supporting services to a project than it actually does. There are reasons for this. Let us consider a typical situation facing a Southern African nation. Because of the oil price increase and because it followed inappropriate economic policies in the 1970s, it is facing a balance-of-payments crisis. It needs the support of the IMF and in addition, it needs all the hard currency resulting from foreign aid it can get. To obtain IMF support, the country

must agree to hold down its recurrent expenditures. But staff for donor projects must be paid for out of the recurrent budget. Hence, the IMF agreement limits the staff and supporting services the government can provide to development projects. The recipient government wants IMF support but it also wants donor support. Promises are made to both the Fund and donors that it cannot keep. Recurrent expenditures do rise, and not all the staff promised is delivered. The Fund and donors make new demands which government accepts, and then defaults again.

These outcomes are extremely easy to predict; the countries simply have no alternatives. Donor staff know these things will happen, but they cannot act as if they expect them to occur because:

1. they are paid to plan and disburse monies through development projects;
2. they could not get their projects through their own agency's approval process if they made realistic estimates of the recipient countries' abilities to make resource commitments to projects.

The results of this charade are that the government officials of developing countries get experience in 'stringing along' the IMF and aid donors. Donors end up assuming a greater share of project costs than had been planned and development projects end up being largely implemented by expatriates. When and if project counterparts are provided, they are usually too junior to assume major project management responsibilities within the lifetime of the project. As a consequence, the hoped-for 'capacity-building' does not occur, and the hypocritical cycle repeats itself.

From the standpoint of the recipient government, expatriate project management leads to another unfortunate result. The expatriates, knowing their salaries are ultimately being paid by donors, become answerable to donors rather than to the government of the developing country. As a consequence, lines of authority are further blurred, and institutional destruction occurs.

Consider how the burdens described above contribute to institutional destruction. Because of the need for foreign currencies, both the central banks and finance ministries of developing countries will put pressure on other government organizations to attract foreign assistance. This means that instead of taking the time to develop their own policies and trying to implement them, these other government authorities will focus primarily on satisfying the demands of foreign donors. In short, they will end up catering to the views and demands of foreign donors rather than learning on their own through trial and error what policies they should be promoting. Because of donor insistence on continual, extensive project supervision and review, and because donors often underwrite most of the development budget, the staff of government agencies will become more answerable to donor 'clients' than to the senior policy officials in their own organizations.

It can be argued that 'institutional destruction' is too harsh a term to use: that by following donor dictates, governments will be able to improve upon their own performances. There is an element of truth in this, but two important caveats should be kept in mind:

- donors have frequently recommended and supervised very poorly-conceived development initiatives;
- you do not really learn how to do it until you have the power to make your own decisions.

5. EVIDENCE

The points made above can be vividly illustrated by examples drawn from Sub-Saharan African countries. Consider first Malawi, a country that has adapted quite well to the project-specific demands of a wide array of donors. According to *The 1981 Annual Report on Development Assistance to Malawi*, prepared by the Resident Representative of the United Nations Development Programme (UNDP), Malawi was 'benefiting' from 188 projects supported by 50 different donors. The Ministry of Agriculture alone was 'managing' 44 donor-financed projects.

Recognizing that it cannot effectively manage such a large number of projects, Malawi allows expatriates to take line positions in government at all levels. In most cases, the salaries of these officials are supplemented by foreign donors.

Precise estimates of the number of expatriates that have been brought in to 'assist' with the implementation of these projects are not possible from available information. However, it does appear that in 1981, more than 800 man-years of expatriate assistance was provided.

It is reasonable to assume that the expatriates have achieved considerable technical competence in their fields of expertise. It is further reasonable to assume that in virtually every technical area, the number of technically-competent expatriates dwarfs the corresponding number of Malawians. Of course, the numerical

imbalance does not mean that Malawi is controlled by its expatriate cadre. It does mean, however, that when a large donor visits to review project progress, the majority of technical questions it asks will be responded to and followed up on by expatriates.

Relative to other developing countries, Malawi has developed a fairly good system to 'cope' with foreign donors. This is true in the sense that it provides them with the reports they demand for monitoring on-going projects and the statistical data required for new project proposals. However, if one asks whether Malawi's capacities to run its own affairs and establish its own policies have been increased by the donor onslaught, the answer is far less certain. Indeed, it appears more likely that donor and project proliferation have diverted the attention of the Malawi authorities from attempting to determine their own policies to simply trying to please their donors.

Lesotho is another country where donor pressures have led to questionable results. In Lesotho, both politicians and the citizenry view agriculture as a marginal occupation. This is because the climate and land do not favour agriculture. Perhaps more importantly, it is because more than 70% of rural income comes from work in the mines of South Africa. Nevertheless, donors have for more than a decade been pushing for increases in agricultural production.

Donors put about $10 million annually into agriculture; the Ministry of Agriculture's recurrent budget for agriculture is about $10 million. With such investments and total agricultural output valued at only $60 million, one would expect to see significant production increases occurring. In fact, agricultural production has been declining over the last five years, suggesting that this massive investment in agriculture is not paying off. Things look even worse when one recognizes that much of the production is for subsistence and would occur without government support.

For 1981, the UNDP Resident Representative counted 61 separate donors financing projects in Lesotho. The total donor-financed project count for the country was 321. For a country of the size of Lesotho to have to deal with so many donors and projects can only contribute to institutional disarray.

From a size and income standpoint, Zambia is larger than either Lesotho or Malawi. Consequently, one would think it has a greater capacity to handle donors and projects. However, Zambia has historically relied on the Copper Belt for its income, and the country has little capability to serve the needs of rural areas.

In 1980, the UNDP Resident Representative counted 69 separate donors and 614 donor-financed projects, most of which are directed to the rural areas. Despite the fact that the Planning Unit in the Ministry of Agriculture and Water Development has at least five donor projects helping it handle its portfolio of more than 120 projects, it is all it can do to assemble aggregate financial data on planned and actual project disbursements. Once again, managing the multiplicity of donors and projects leaves little time for the Ministry to develop its own strategies. And like most Sub-Saharan African countries, Zambia is constrained by agreements with the IMF when it comes to hiring additional staff to manage its massive project portfolio.

6. BROADER CONSIDERATIONS

It is dangerous to attempt to generalize from a sample of three countries. However, from my own experience and discussions with other development professionals, it appears that the donor/project proliferation phenomenon and associated burdens is not limited to a few countries in Sub-Saharan Africa. Indeed, it can be hypothesized that the most important difference between development assistance in the 1970s and earlier decades was not the emphasis on the rural poor and 'participatory' approaches but instead the 'institutional destruction' effects of donor and project proliferation.

It may also be hypothesized that the institutions of Asian and Latin American countries can better withstand the 'donor rush' because in the past they were beneficiaries of institution-building development assistance. By the time development assistance had reached Africa, the wave of enthusiasm for institution-building was on the wane so that today, there is virtually no institutional base available to cope with the outpouring of project initiatives.

Upon visiting virtually any developing country nowadays, one hears that the major donors and the recipient governments are disturbed by the slow rate at which aid monies are being disbursed; in donor headquarters, one frequently hears concerns expressed over the build-up in the pipeline, i.e. the difference between committed and disbursed monies. These concerns seem somewhat paradoxical at a time when aggregate development asistance monies in real terms are trending downward. A possible explanation is that with the growth in donors and project detail, there has been a

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concomitant build-up in red tape which has slowed disbursement.

7. PROBLEM ALLEVIATION

While the above might be interesting speculations, they are of little value when it comes to determining what can be done to alleviate the problem. Because of severe economic crises faced by a number of developing countries, the problem will partially resolve itself over the next few years. That is, large donors are coming to see that without direct balance-of-payments support, very few project initiatives have any chance of being sustained when aid monies terminate. This is of course a separate issue from the one being highlighted in this paper, but if a greater portion of development aid is provided as direct balance-of-payments support, a smaller portion will remain for project proliferation. But the move to provide balance-of-payments support will only partially alleviate the problem, and it will not be a factor in countries that are not in serious balance-of-payments straits.

The first thing that should be done is to get the major donors talking about the problem. As indicated earlier, while donors are trying to promote new projects, the problem is something they would rather not hear about. But the problem is now too serious and obvious to ignore. For several reasons, it cannot be expected that getting discussions underway will lead to immediate results. Firstly, it will take time for large donor agencies to wind down the project generation momentum that has built up over the last decade. Secondly, projects tend to be 'expatriate technician intensive', and with worldwide unemployment rates as high as they are, any attempt to 'bring the boys home' will meet resistance in donor nations.

Thirdly, donors will be reluctant to give up on the project approach because it gives them the feeling[5] they have greater control over how monies are spent than is the case when more general support is provided.

Despite these reservations, the longer-run solution would appear to be an effort on the part of donors and recipient countries to engage in a dialogue that results in a consolidation of existing project portfolios. For reasons cited above and others, this will not be easy to do, but such steps are needed. In terms of new projects, efforts should be undertaken to get donors to co-finance them. Here again, the reasons cited above and institutional jealousies among donors will make the task difficult, but such steps should be taken.

For the immediate future, project proliferation will continue, but there is one approach that will help ameliorate the problem. There is no reason a donor could not design a project to aid a country in implementing its existing project portfolio. The project design team could be instructed to review projects that have objectives consistent with those of the donor agency, and find bottlenecks that are interfering with effective implementation of these projects. The new project would be designed to eliminate these bottlenecks. In countries facing severe balance-of-payments constraints, the needed assistance might consist almost entirely of balance-of-payments support, but it need not be presented or justified on that basis. Rather, it could be presented as a project to increase the chances that the existing project portfolio has its intended development impact.

8. SUMMARY

The purpose of this paper has been to describe how the donor and project proliferation that has occurred in recent years is imposing severe burdens on Sub-Saharan African countries. The paper documents how these burdens are leading to institutional destruction in these countries. It is hypothesized that this problem is not unique to Sub-Saharan African countries. Several suggestions are made concerning what might be done to alleviate this problem.

NOTES

1. E.g. see World Bank, *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* (Washington D.C. 1981); for an interesting political analysis of the reasons for these policies, see Robert H. Bates, *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies* (Berkeley, California: University of California Press, 1981).

2. For a history of the unfolding of development assistance, see Elliott R. Morss and Victoria A. Morss, *U.S. Foreign Aid: An Assessment of New and Traditional Development Strategies* (Boulder, Colorado: Westview Press, 1982).

3. The IMF is not strictly a development assistance

agency, but its contribution to the effectiveness of development assistance will be discussed shortly.

4. For more on the reporting and evaluation burdens imposed on developing countries, see Robert Berg, 'The urgent problems of LDCs controlling their own fate: the long run future of donor planning, monitoring and evaluation', a paper presented at a Development Assistance Committee meeting of the OECD on aid effectiveness held in Paris on 26 March, 1980.

5. The feeling is probably accurate, but greater control does not mean development monies will be spent in a way that is better from the standpoint of the recipient country's development prospects.