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SWEDISH AID TO KENYA AND TANZANIA:  
ITS IMPACT ON RURAL DEVELOPMENT

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AfricaÜ

Marian Radetzki  
August 1986

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A NOTE TO READERS OF THE JULY 1986 VERSION OF THIS STUDY

Changes of substance have been introduced on the following pages of the present August 1986 version:

21, 22, 24, 25, 26, 27, 31, 40, 62, 64, 66, 67, 71, 74, 75.

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## Chapter 1. INTRODUCTION

This study analyzes Sweden's assistance to Kenya and Tanzania. The purpose is to explore how the Swedish aid involvements have contributed to recipient development, and to suggest changes that might increase the development productivity of future aid resource flows.

There are two important limitations in the subject studied. First, the scrutiny of past performance contained in the following chapters, is limited, in the main, to the period 1970/71 through 1983/84. And second, the focus is on the impact of Swedish aid on rural development in the two recipient countries. Hence, although the initial chapters adopt a general approach, the more detailed project/program investigations deal exclusively with activities that aim directly at improvements in rural areas. The coverage of aid for rural development, too, is incomplete in that only between two thirds and three quarters of Swedish disbursements to the rural sector are dealt with. Also, Swedish aid activities with a possible indirect impact on rural development, e.g. import support, are not considered. However, the conclusions about possible future improvements in Sweden's aid performance, though based on this somewhat limited case material, are generalized, so as to have a somewhat wider reach.

The study has the following format. Chapters 2 and 3 deal with general aspects of Sweden's assistance to Kenya and Tanzania. In chapter 2, the volume, content and terms of the Swedish aid flows are scrutinized in some detail. Chapter 3 tries to explain how and why Sweden determined the direction, size and allocation of its aid to the two East African countries. In chapter 4, six of the projects/programs launched by Sweden, are scrutinized in some detail, with assessments about appropriateness of the activity for promoting national development, and efficiency in execution in each case. A more aggregate approach to evaluating the development impact of Sweden's aid is adopted in chapter 5. The analysis of macro-level distortions, caused by Swedish and other countries' aid, constitutes an important component in this evaluation. Chapter 6, finally, summarizes the policy conclusions for future aid, emerging from the earlier analyses.

The study has been commissioned by the World Bank in collaboration with the Swedish International Development Authority (SIDA) and the Swedish Ministry of External Affairs. It constitutes part of a larger research project, entitled "Managing Agricultural Development in Africa" (MADIA), conducted by the Development Research Department in the Bank. Within the MADIA

project, the present endeavor is one of several studies analyzing foreign aid from six donors for agricultural and rural development in African countries.

The first outline of this study was prepared during the second half of 1985, and the final draft was completed in July 1986. The work is based on documentation extracted from SIDA's files, and on a number of interviews with SIDA personnel, with other decision makers in Swedish aid, and with relevant officials in Kenya and Tanzania. The latter interviews were conducted during a month-long trip to East Africa in September/October 1985. A few field visits to some of the projects studied, were also undertaken at that time. Important inputs have been provided by Lars Rylander to chapters 2 and 3, and by Apollo Njonjo to chapter 4.

Throughout the study, the word "aid" or "assistance" is defined as by the OECD's Development Assistance Committee (DAC), to include only grants or loans:

- undertaken by the official sector;
- with promotion of economic development and welfare as main objectives;
- at concessional financial terms (if a loan, at least 25 per cent grant element).<sup>1</sup>

Most of the statistical series on Swedish aid derived from Swedish sources are presented by broken years (e.g. 1971/72). This refers to the Swedish fiscal year which covers the 1 July - 30 June period.

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<sup>1</sup>Development Assistance Committee Review, OECD, 1982.

Africa<sup>2</sup>Marian Radetzki  
July 1986Chapter 2. THE VOLUME, TERMS AND CONTENT OF SWEDEN'S AID TO KENYA AND TANZANIA<sup>1</sup>1. The significance of the Swedish aid flows

Sweden is a relative newcomer among the major aid-giving countries. Though there was an aid program from the early 1960's, it assumed importance only from the end of that decade. Not until 1969 did the net flow of official development assistance exceed the \$ 100 million mark<sup>2</sup>, but from then on, it rose at very fast rates. In the same year, the share of Swedish aid in total GNP, at 0.43 %, exceeded for the first time the average for the 17 OECD countries which are members in DAC. Since the mid-1970's, Sweden's aid allocations have ranged between 0.75 and 1.02 % of GNP, two to three times more than the average for the DAC group in the corresponding period. Aid from Sweden rose from 1.7 % of the total flows from DAC countries in 1970, to a peak of 5 % in 1977, from which it has gradually declined, to reach 2.5 % in 1984. In comparison with the foreign assistance from other major donors, the overall flows from Sweden have been characterized by a large though declining multilateral proportion, a high degree of concessionality, and a low extent of formal tying.

Kenya and Tanzania belong to the early clients of Swedish aid. From 1965, the year when SIDA was formed, they have been permanently and prominently included in the recipient group. Until mid-1984, Kenya had received a total of SEK 1.1 billion, while the sum disbursed to Tanzania amounted to SEK 7.8 billion<sup>3</sup>. The importance of the two countries in the Swedish aid budget is easily documented. Between 1970 and the present, they have accounted for around 10 % of the overall aid flow from Sweden. Their share rises to between 15 and 20 % when only the bilateral flow is considered.

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<sup>1</sup>This chapter is based on a detailed draft prepared by Lars Rylander.

<sup>2</sup>All figures in this paragraph have been taken from Development Assistance Committee Review, OECD, annual, several issues.

<sup>3</sup>Appendix Table I at the end of this chapter contains alternative Swedish inflation indexes and SEK/US\$ exchange rates, to facilitate constant money calculations and international comparisons.

Table 1. Sweden's aid disbursements to Kenya and Tanzania. SEK million and per cent of total Swedish aid budget.

		<u>70/71</u>	<u>71/72</u>	<u>72/73</u>	<u>73/74</u>	<u>74/75</u>	<u>75/76</u>	<u>76/77</u>
Kenya:	SEK m.	18.5	24.7	36.0	74.6	91.5	96.1	95.6
	per cent	2.8	3.3	4.0	5.7	3.7	3.5	2.9
Tanzania:	SEK m.	51.1	65.9	96.6	172.7	202.6	270.6	278.4
	per cent	7.2	9.0	10.6	10.2	9.2	9.4	9.6
		<u>77/78</u>	<u>78/79</u>	<u>79/80</u>	<u>80/81</u>	<u>81/82</u>	<u>82/83</u>	<u>83/84</u>
Kenya:	SEK m.	79.3	76.8	101.3	90.2	87.2	99.4	105.6
	per cent	2.3	2.1	2.5	2.1	1.7	1.8	1.8
Tanzania:	SEK m.	255.6	326.9	346.5	310.6	444.5	459.2	464.7
	per cent	7.4	9.1	8.8	7.2	8.9	8.2	7.7

Source: Bistånd i siffror och diagram, SIDA 1982 and 1983; SIDA Annual Reports 1970/71 - 1976/77.

Swedish international assistance has played a significant role in the national economies of the two countries. As appears from table 2, the Swedish disbursements corresponded on average to roughly 1.5 % of GNP in Kenya and 1.8 % in Tanzania. Measured in relation to gross domestic investments in Kenya and Tanzania, the Swedish inputs were about four times as high. Assistance from Sweden also played a prominent role in the overall aid receipts of the two countries. In the early-to-mid 1970's, Sweden accounted for about 15 % of the total in Kenya and some 25 % in Tanzania, making it by far the largest donor in the latter country. More recently, the importance of Sweden among donors has declined.

Several features emerge from the data compilations contained in tables 1 and 2. First, considerable amounts of Swedish aid have been expended on the two East African countries. Second, the flows reached their greatest importance around the mid-1970's, both from the donor's and the recipients' point of view. Third, Tanzania has been much more favored than Kenya in Sweden's aid allocations. This has been true throughout the period studied, but the Kenyan lag has tended to increase over time. And fourth, there has been a substantial decline in the position of the two countries in the overall Swedish aid endeavors since the mid-1970's, as more countries were added to the list of recipients under Sweden's foreign assistance program.

Table 2. Kenya and Tanzania: Share of Swedish aid in recipient GNP and in all foreign aid receipts. Per cent.

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Kenya:								
Swedish aid/GNP	0.2	0.3	0.4	0.6	0.7	0.7	0.6	0.4
Swedish aid/all aid	5.4	7.0	10.4	17.7	15.4	16.8	12.7	10.8
Tanzania:								
Swedish aid/GNP	0.7	0.8	1.2	1.7	2.0	1.8	2.5	1.8
Swedish aid/all aid	17.6	21.1	34.5	30.3	27.9	20.2	18.6	13.4
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Kenya:								
Swedish aid/GNP	0.3	0.4	0.3	0.3	0.3	0.2	0.2	0.2
Swedish aid/all aid	6.9	6.8	5.2	3.8	3.3	3.5	2.9	na
Tanzania:								
Swedish aid/GNP	1.7	1.8	1.5	1.5	1.4	1.3	1.2	1.2
Swedish aid/all aid	12.4	12.1	10.9	11.6	10.4	10.5	11.0	na

Source: Development Assistance Committee Review, OECD, annual; supplemented by statistics of SIDA, UN and World Bank.

The real value of aid expended, as distinct from the nominal figures presented in table 1, has shrunk considerably from its earlier levels. Using the Swedish consumer price index as deflator, the 1980 SEK value of aid received by Kenya rose from 51 million in 1971/72 to a peak of 136 million in 1973/74, and then experienced a continuous decline, to reach 67 million in 1983/84. The flow to Tanzania first rose from 137 million in 1971/72 to 373 million in 1976/77, after which it has remained stagnant somewhat below the peak. In 1983/84, the figure was 304 million.

## 2. The terms of aid

The terms of Sweden's assistance will be discussed in two dimensions, i.e. the grant element and the tied aid proportion. On both counts, the terms appear to be very generous in an international comparison. But while the grant element has increased over time, to reach 100 % in later years, the proportion of formal tying to purchases in Sweden has been on the increase.

### Grant element

The grant element discussion is of no great consequence in an evaluation of Sweden's aid to Kenya and Tanzania. Between 1975/76 and 1983/84, all aid has been committed as grants, and

outstanding credits have been written off long ago. Hence, the following discussions is of interest mainly as a historical record.

The loans provided under the aid programs appear in table 3.

Table 3. Aid loans disbursed to Kenya and Tanzania

		Until July 1971	<u>71/72</u>	<u>72/73</u>	<u>73/74</u>	<u>74/75</u>
Kenya:	amount SEK m.	7.3	8.2	17.0	40.6	10.8
	% of total aid	10.4	35.2	47.0	54.4	13.3
Tanzania:	amount SEK m.	102.7	36.7	40.2	50.1	37.3
	% of total aid	67.3	55.6	41.8	37.7	18.4

Sources: Same as for table 1.

The loans have always been very soft. Up to 1967, they regularly carried a 2 % interest, with a maturity of 20 years, and 5 years grace period. Loan conditions were gradually softened after 1967, and in 1974, Sweden's Parliament decided that further aid lending be provided on IDA terms. Hence, the grant element in the loans disbursed to Kenya and Tanzania during the period under scrutiny, calculated according to IAC standards, has typically amounted to more than 80 % of the nominal credit value.

Total debt service payments for the aid credits have not been high. The actual figures appear in table 4. As these payments became of consequence in the mid-1970's, the Swedish government decided to write off the loans entirely. In the case of Tanzania, the debt service payments due in 1975/76 and later were remitted. An identical decision concerning Kenya followed one year later. In 1977/78, all the outstanding aid debts, amounting to SEK 133 million in the case of Kenya, and SEK 225 million in the case of Tanzania, were written off.

Table 4. Service payments for aid debts. Million SEK

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Kenya			0.2	0.4	0.8	1.0	0.6
Tanzania	0.8	1.3	1.7	2.2	2.5	1.3	

Source: Development Assistance Committee Review, OECD, annual.

#### Tying of aid to Swedish resource use

The formal tying of aid flows to purchases in Sweden was imposed

on Tanzania only in 1977/78, and on Kenya one year later. It concerned only one category of assistance, viz. the general import support. Untied import support had been provided to Tanzania since 1972/73. The amounts received could be spent freely by the recipient country to finance imports from anywhere. In the late 1970's, the Swedish government stipulated that a predetermined part of the amounts received should be spent on purchases in Sweden. The recipients were free to choose any goods and services offered for exports. In the early 1980's there have been increasing pressures to impose double tying, i.e. for the donor to determine the composition of goods to be supplied from Sweden (see next chapter).

Table 5. Composition and relative importance of tied aid

	<u>77/78</u>	<u>78/79</u>	<u>79/80</u>	<u>80/81</u>	<u>81/82</u>	<u>82/83</u>	<u>83/84</u>
KENYA							
<u>Composition, SEK m.</u>							
Paper products							10.0
Railway equipment		5.5	10.0	9.2	10.0	9.9	10.0
Chemicals					9.9		
Total		5.5	10.0	9.2	19.9	9.9	20.0
<u>Tied aid in percent of</u>							
Total import support		100.0	71.9	70.2	76.5	55.3	77.5
Total aid		7.2	9.9	10.2	22.8	10.0	16.9
TANZANIA							
<u>Composition, SEK m.</u>							
Paper	2.3	3.0	13.7	14.5		7.0	8.9
Vehicles	5.6		5.6				
Mining equipment	1.5	6.0	11.6	9.0			
Railway equipment	5.3	11.3					
Telecom equipment		17.0		12.9	52.9	73.2	62.0
Chemicals						22.8	38.4
Consultants					4.0		2.2
Other		0.3	1.9	3.6			
Total	14.8	37.6	32.8	40.0	56.9	103.0	127.9
<u>Tied aid in percent of</u>							
Total import support	51.2	50.1	37.6	59.3	34.4	67.2	78.7
Total aid	5.9	11.5	9.5	12.9	12.8	21.8	26.7

Source: Bestånd i siffror och diagram, SIDA, annual; SIDA's accounts Department.

Table 5 provides details of the Swedish tied aid component. In both recipient countries, the share of the formally tied aid component in total disbursements has more than doubled since formal tying was introduced, to reach about 20 % in recent years. In the early 1980's, a dominant share of the import support provided by Sweden has been tied.

In addition to the formal decision to restrict the use of aid funds to purchases in Sweden, there is a variety of practices in the execution of the aid programs that in reality amount to informal tying. This emerges most clearly in the use of personnel. The projects and programs financed by Swedish aid involve both local personnel and expatriate expertise. Even though there are no formal rules requiring that the latter should be Swedish, the practice has been that even in cases where corresponding expertise could have been obtained from elsewhere at lower cost, the expatriates engaged in the endeavors have been almost exclusively recruited in Sweden.

Table 6 details the costs for expatriate personnel in Swedish aid to Kenya and Tanzania. These costs, amounting to some 15-20 % of total disbursements, constitute another component of aid which for all practical purposes is tied to Sweden. A more detailed scrutiny of the Swedish aid practices would undoubtedly uncover additional instances of informal tying.

Table 6. Cost of expatriate personnel, including consultants, in Swedish aid activities in Kenya and Tanzania. SEK million.

	<u>70/71</u>	<u>71/72</u>	<u>72/73</u>	<u>73/74</u>	<u>74/75</u>	<u>75/76</u>	<u>76/77</u>
Kenya	8	n.a.	9	9	13	17	12
Tanzania	8	n.a.	10	10	17	19	27

	<u>77/78</u>	<u>78/79</u>	<u>79/80</u>	<u>80/81</u>	<u>81/82</u>	<u>82/83</u>	<u>83/84</u>
Kenya	18	17	12	11	13	20	17
Tanzania	22	21	37	70	62	69	80

Source: SIDA's Accounts Department.

### 3. Sectoral distribution

The sectoral distribution of Sweden's assistance to Kenya and Tanzania is detailed in appendix tables 1 and 2. A snapshot view indicating the shares of the most important sectors is provided in charts 1 and 2 following this page. It should be observed that the definition of sectors is not based on any thorough analysis of the content and purpose of aid. Instead, it follows the formal

Chart 1 Sectoral distribution of Swedish aid to Kenya. Per cent

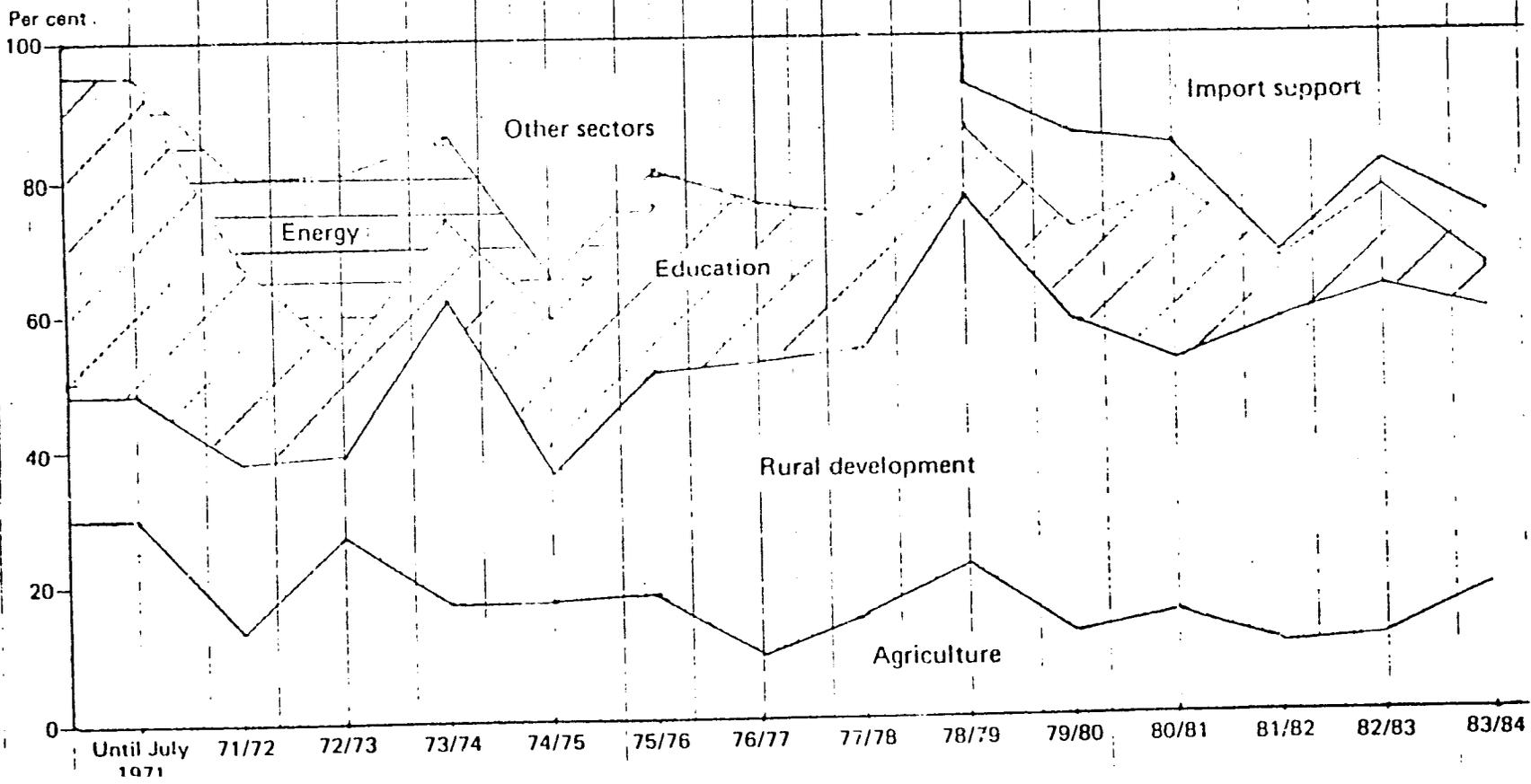
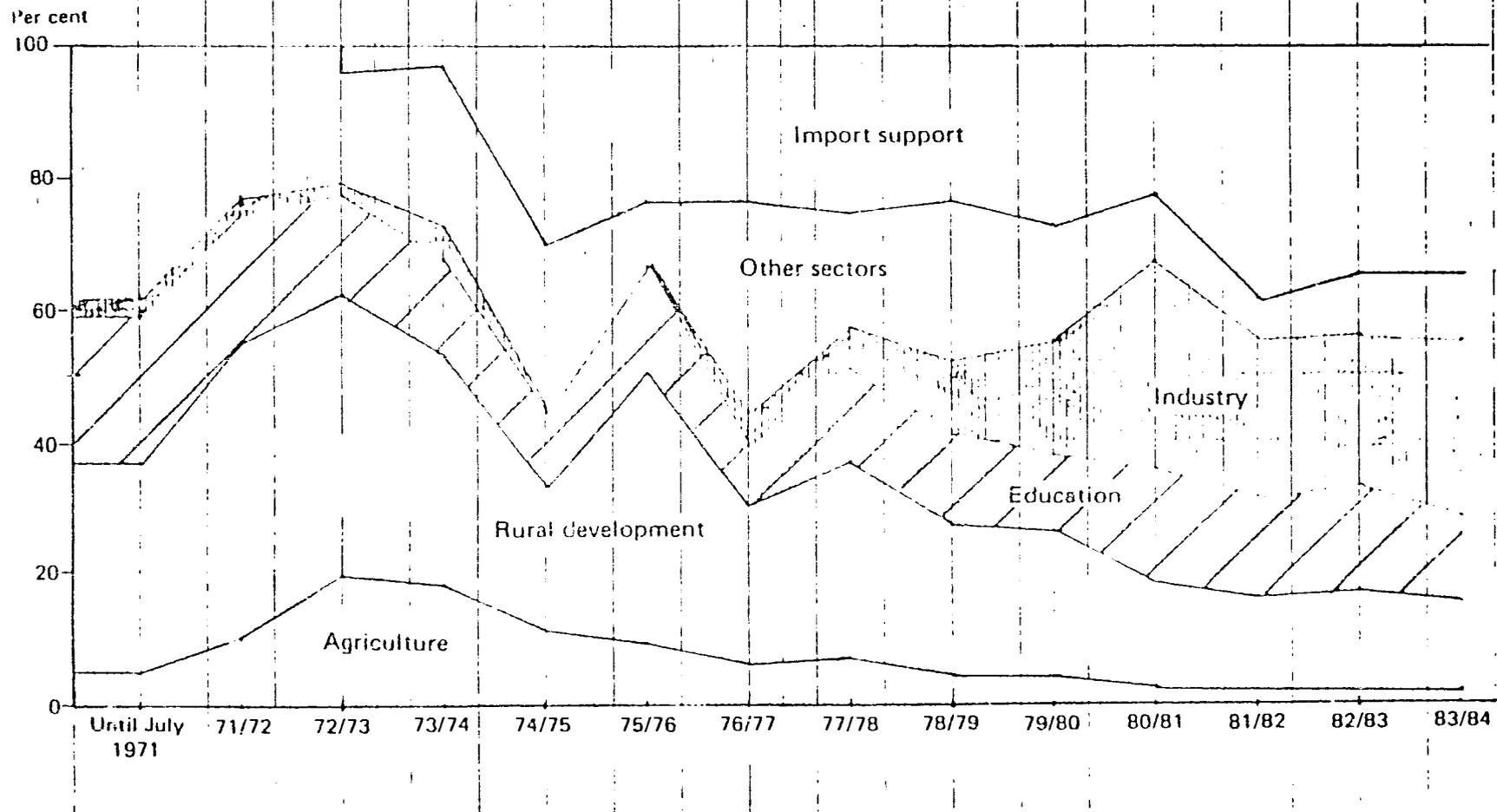


Chart 2 Sectoral distribution of Swedish aid to Tanzania. Per cent



registration done by SIDA. This may not always fully reflect the ultimate destination of the aid flows.

In Kenya until 1971, agriculture, rural development and education dominated the Swedish aid flows. In the course of the 1970's, the sectoral allocation of aid was greatly diversified. For instance, in 1974/75, the Swedish aid flows were directed to no less than nine sectors, viz., agriculture; rural development; industry; transport; energy; health; education; planning and administration; and commerce and finance. At the end of the decade, and even more in the early 1980's, there was again a sectoral concentration, with agriculture, rural development and import support accounting for the lion's share. Other noteworthy insights emerging from the graph include:

- The small share and trend decline in the allocations to agriculture.
- The large scale increase of the share allocated to rural development. Sizable expansions of rural water and rural health programs explain the growing importance of the rural development sector.
- The continuous decline of aid to education. Until 1971, educational support had accounted for close to half of total aid; in 1983/84, its share had shrunk to a bare 7 %.
- The very fast growth since the late 1970's of a predominantly tied import support program.

The most striking feature in the sectoral distribution of aid to Tanzania is the very low and declining share allocated to agriculture. This is surprising, given the dominance of the agricultural sector in that country's national economy. Rural development activities which dominated among the aid receiving sectors in the early 1970's have also experienced a substantial decrease. In contrast to Kenya, where rural development and agriculture received more than one half of total aid in the early 1980's, the share of these sectors in Tanzania has shrunk to less than 20 % in recent years. Industry has accounted for the largest growth in the sectoral shares of aid since the late 1970's. The dominance of the urban and modern sectors as aid recipients in Tanzania, reflected by the large shares of industry and import support (close to 60 % in 1983/84) is somewhat exaggerated, because part of the import support facility was used in 1982/83 and 1983/84 for purchases of Swedish fertilizer. Even after adjusting for this, however, modern sector activities account for more than 50 % of total aid allocations.

Chart 3 Distribution of Swedish aid to Kenya by type. Per cent

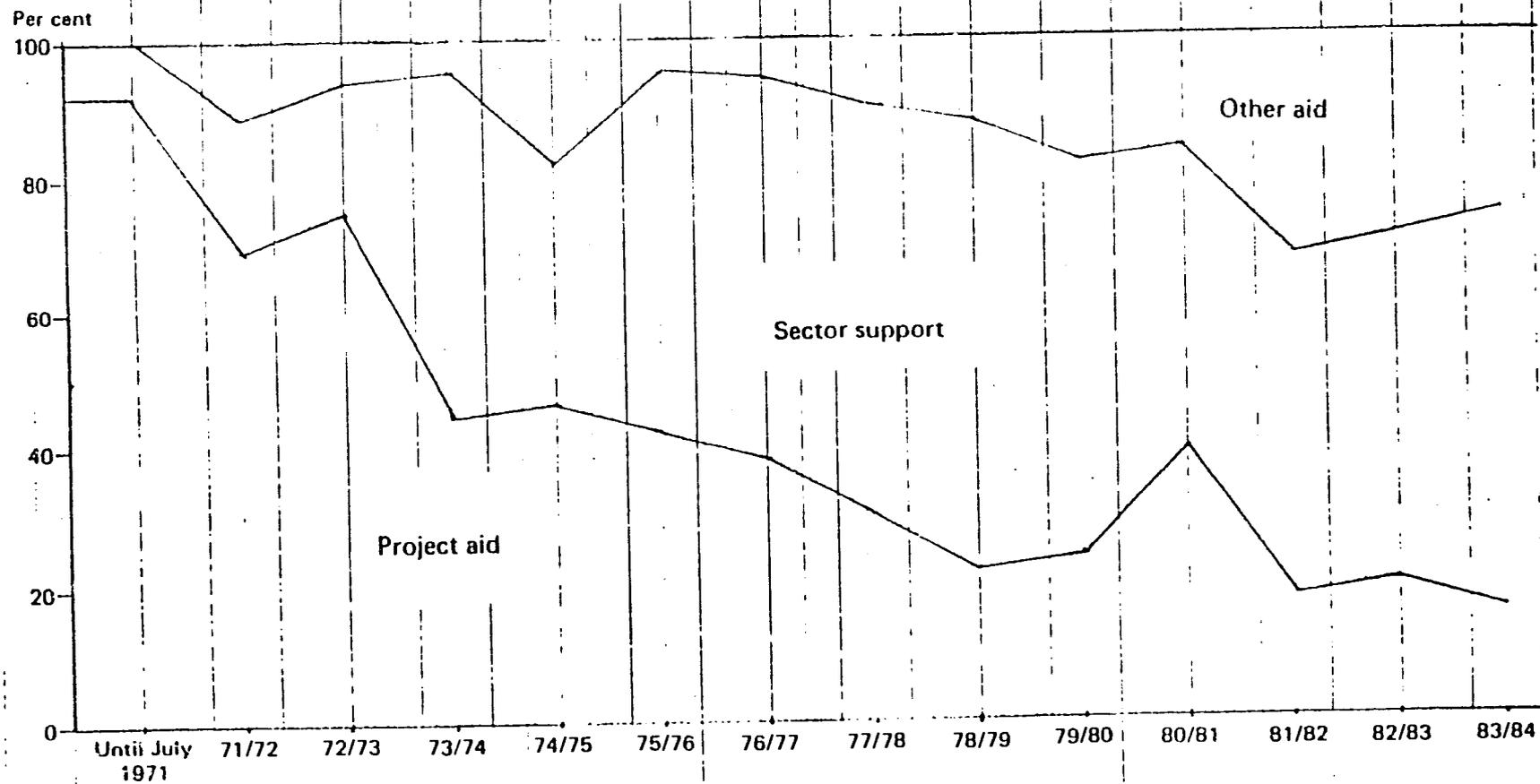
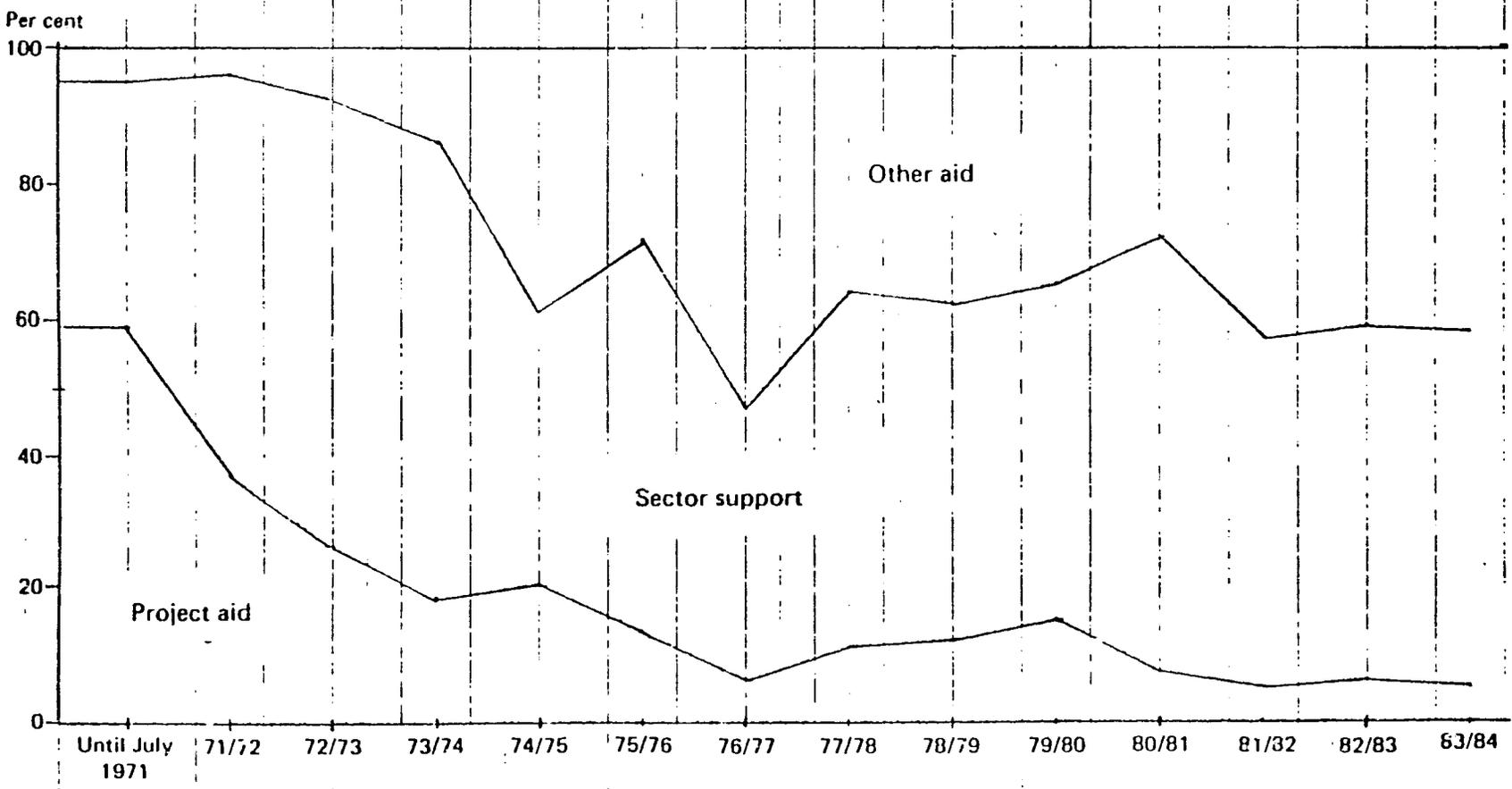


Chart 4 Distribution of Swedish aid to Tanzania by type. Per cent



#### 4. Project aid versus program assistance

Splitting up Swedish aid into the project and program categories, offers some difficulties. The main reason is that the Swedish concept "sectoral support" can comprise both concrete project aid and program support to a particular sector. These portions of the aid package are not easy to separate out, since in practice, the distinction between sectoral program support and assistance to discrete project activities, is bound to be blurred.

In charts 3 and 4, an attempt has been made to distinguish between (a) project aid which includes projects that constitute part of sectoral assistance in the accounts of SIDA; (b) remaining sectoral assistance programs; and (c) other aid which does not fit into either of the two above categories. The other aid flows are the least specific in terms of activity to be supported. They include import support, and assistance to public planning and administration, and to commerce and finance.

Early on in the aid collaboration, project assistance dominated the flows to both countries. Until July 1971, projects had accounted for 90 % of total flows to Kenya, and 60 % to Tanzania. The lower Tanzanian figure is primarily due to the early importance of sectoral support to rural water supply in that country.

Over time, there has been a large scale shift from project assistance to less specific aid activities in both countries, but the share of project aid has remained lower in Tanzania throughout the period surveyed. Since the mid-1970's, less than 10 % of the total aid flow to that country was in the project category. As should already be apparent from the discussion of sectoral allocations, the greater importance of the "other aid" category in Tanzania is primarily due to the great weight of the import support flows to that country.

One would ordinarily expect project aid to be less flexible in terms of allocations than sectoral support or the "other aid" categories depicted in charts 3 and 4. Projects can run into a variety of difficulties, with a consequent delay in expenditure. There would be less problems in expending sectoral support funds, because expenditures can be shifted between activities within the sector if some of the sector developments are delayed. The lesser flexibility of project aid along with a larger proportion of such aid in the case of Kenya could provide a part-explanation to the lower efficiency in disbursing aid commitments. 76 per cent of total aid committed to Kenya between 1980/81 and 1983/84 were actually disbursed in the period. For Tanzania, the figure was 65 %.

### 5. A summary of findings

The main findings of this chapter can be summarized as follows:

1. Kenya and Tanzania account for an important share of total Swedish aid. In the 1980's this share has experienced some decline.
2. Sweden has been one of the most important donors to the two countries. In the early-to-mid 1970's, its aid accounted for about 15 % of total aid receipts in Kenya and 25 % in Tanzania. Since then, these shares have been falling.
3. Tanzania has received much more aid from Sweden than Kenya. The lead of Tanzania over Kenya in this respect has increased over time.
4. The terms of Swedish aid have been quite generous. The grant element in the flows to both countries has been close to 100 % in the period studied. Since 1975/76 all aid has been in the form of grants.
5. Formal tying of aid was introduced about 1978. The share of formally tied aid in total disbursements has been around 20 % in the early 1980's, a low figure in an international comparison.
6. Agriculture and rural development have been the dominant beneficiaries of Sweden's aid to Kenya. In Tanzania, the major flows in recent years have been directed towards the modern sectors of the economy.
7. Project aid has declined in importance over time in both countries, but has played a greater role in Kenya than in Tanzania throughout the period under scrutiny. The larger share of sectoral and program support in Tanzania and the greater flexibility of such support may provide a part explanation to a substantially higher aid disbursement/commitment ratio in that country.

Appendix Table 1. Swedish Aid to Kenya. Sectoral Distribution. Million SEK.

	Until and including														Total until
	1970/71	71/72	72/73	73/74	74/75	75/76	76/77	77/78	78/79	79/80	80/81	81/82	82/83	83/84	1 July 1984
<u>Agriculture</u>	21,2	3,2	9,8	12,4	13,2	15,4	7,8	12,0	16,8	11,9	12,8	8,3	10,5	17,4	172,7
of which															
Artificial Insemination	12,5	2,3	2,4	2,6	3,4	1,0	0,1	0,1							24,8
Agricultural Finance						8,0		1,5	6,5	2,0			4,0	3,7	25,7
Land Care								3,4	3,1	3,5	7,5	8,3	6,5	13,7	46,0
Other	8,3	0,9	7,4	9,8	9,8	6,4	7,7	7,0	7,2	6,4	5,3				76,2
<u>Rural Development</u>															
<u>Excluding Agriculture</u>	12,8	5,9	4,4	33,1	15,2	28,2	36,5	30,3	41,1	45,5	30,3	38,9	49,3	40,2	411,7
of which															
Rural Water	1,1	3,7	1,5	27,6	9,2	20,5	17,8	17,8	37,4	25,9	14,7	10,9	18,2	17,2	223,5
Rural Cooperatives	11,7	2,2	2,9	2,8	2,4	2,8	4,4	1,4	1,8	3,6	5,3	7,0	5,3	4,0	57,5
Rural Infrastructure				2,7	3,6	0,6	0,4	0,7	0,7						8,7
Rural Health						4,3	13,9	10,4	1,2	16,0	10,3	11,0	25,8	19,0	121,9
<u>Industry</u>				0,6	5,7	1,5	1,6	1,1	0,9	7,8	0,9	1,1	2,9	1,0	25,1
<u>Transport</u>			2,8	4,8	8,8	5,0	6,0	2,6	0,3						30,3
<u>Energy</u>		4,8	9,7	9,3	3,1	4,6								4,9	36,4
<u>Health &amp; Family Planning</u>	1,4	0,9	1,9	2,3	1,1	4,7	3,5	9,1							27,8
<u>Education</u>	32,7	6,8	5,2	8,7	16,0	21,2	20,8	15,4	7,2	13,9	22,1	7,3	13,9	7,2	200,4
<u>Planning &amp; Administration</u>	2,3	2,5	2,0	3,0	3,7	3,4	3,4	5,4	1,2	0,4					27,3
<u>Commerce &amp; Finance</u>		0,2	0,2	0,3	11,0	0,6	1,5	2,0	2,4	2,9					21,1
<u>Import Support</u>									5,5	13,9	13,1	26,0	17,9	25,8	102,2
of which															
Tied to purchases in Sweden									5,5	10,0	9,2	19,9	9,9	20,0	74,5
<u>Miscellaneous</u>									2,1	3,7				1,4	7,2
TOTAL OF ABOVE	70,4	24,3	36,0	74,5	79,8	84,6	84,1	77,9	75,4	98,4	82,9	81,6	94,5	97,8	1062,2
<u>Aid Through Non-Government Organizations</u>				0,1	1,7	1,5	1,5	1,4	1,4	2,5	4,3	5,6	4,9	7,8	32,7
<u>Food Aid</u>									0,4	3,0					3,4
SUM TOTAL	70,4	24,3	36,0	74,6	81,5	86,1	85,6	79,3	76,8	101,3	90,2	87,2	99,4	105,6	1098,3

1 From 1979/80 including Family Planning

Source: Bistånd i siffror och diagram, SIDA, annual; SIDA's Accounts Department.

Appendix Table 2. Swedish Aid to Tanzania. Sectoral Distribution. Million SEK.

	Until and including														Total until 1 July 1984
	1970/71	71/72	72/73	73/74	74/75	75/76	76/77	77/78	78/79	79/80	80/81	81/82	82/83	83/84	
<u>Agriculture</u>	7,2	6,6	17,8	23,6	20,8	20,9	15,8	18,1	14,0	12,7	7,3	9,6	8,1	7,5	190,0
of which															
Agricultural Education	4,6	1,9	4,4	5,2	5,5	6,5	0,8	2,0	3,1	2,6	1,1	5,4	5,2	5,2	53,5
Agricultural Finance		2,0	9,5	9,0	8,5	8,0	8,0	8,0	6,0	6,0	3,0				66,0
Grain Storage	0,6	2,0	3,5	6,3	4,5	0,7	2,4								20,0
Other	2,0	0,7	0,4	3,1	2,3	5,7	4,6	8,1	4,9	4,1	3,2	4,2	2,9	2,3	48,5
<u>Rural Development</u>															
<u>Excluding Agriculture</u>	52,6	29,9	40,8	46,5	46,8	93,7	64,3	74,5	71,6	70,9	49,2	57,4	64,0	59,5	822,5
of which															
Rural Water	48,2	24,3	26,0	32,2	22,0	62,5	38,9	49,0	45,0	32,2	12,2	30,5	26,5	34,6	484,2
Rural Cooperatives	3,9	2,2	1,5	1,9	1,1	2,3	2,6	0,6	0,6	11,4	3,4	5,2	9,1	2,9	49,0
Rural Infrastructure				0,2	2,0	0,1	0,1								2,4
Rural Health			4,0	3,3	8,4	7,9	11,8	8,6	11,3	7,1	11,3	3,0	1,9	2,0	80,6
Forestry	0,5	3,4	9,3	8,9	13,3	20,9	11,5	16,3	14,9	20,2	22,3	18,7	26,1	20,0	206,3
<u>Industry</u>	5,3	1,4	1,7	6,6		0,3	14,0	15,9	35,7	52,6	93,2	100,7	102,6	118,9	548,9
<u>Transport</u>	39,0				8,0										47,0
<u>Energy</u>	8,6	12,5	13,6	8,6	19,2	7,6	8,0	16,7	27,6	29,2	14,8	4,0	1,7	6,4	178,5
<u>Health</u>	1,2	0,3				0,2						2,6	3,7	1,0	9,0
<u>Education</u>	36,0	12,6	14,0	18,1	21,6	36,2	25,9	35,2	45,2	39,1	52,7	67,3	71,7	55,9	527,5
<u>Planning &amp; Administration</u>	7,4	1,8	1,8	1,9	2,9	4,9	13,9	6,2	8,4	7,9	10,9	8,7	15,1	16,9	106,7
<u>Commerce &amp; Finance</u>	1,0	0,8	1,9	12,8	11,9	8,4	66,2	56,1	38,3	16,5	5,0	6,5	15,2	14,2	254,3
<u>Import Support</u>			4,0	3,9	62,5	53,7	65,2	28,9	75,0	87,2	68,6	165,5	153,3	157,5	925,3
of which															
Tied to purchases in Sweden								14,8	37,5	32,8	40,0	56,9	103,0	123,9	409,0
<u>Miscellaneous</u>	4,0			10,2	6,2	2,3	0,4	0,2		0,4		1,9	5,7	7,9	39,2
TOTAL OF ABOVE	162,3	65,9	95,6	132,2	199,9	228,2	274,3	251,8	316,0	316,5	301,7	420,2	441,1	445,7	3651,4
<u>Aid Through Non-Government Organizations</u>	2,6		0,6	0,2	2,7	4,4	4,1	3,7	4,4	4,6	8,8	14,3	15,8	19,0	65,2
<u>Emergency Aid</u>			0,2	0,3				0,1	5,0	25,4		10,0			41,0
<u>Food Aid</u>	0,1		0,2						1,4		0,1		1,3		3,1
SUM TOTAL	165,0	65,9	96,6	132,7	202,6	232,6	278,4	255,6	326,8	346,5	310,6	444,5	458,2	464,7	3780,7

Source: Bistånd i siffror och diagram, SIDA, annual; SIDA's Accounts Department.

Appendix Table 3. Swedish Inflation Indexes (1980 = 100), and SEK/US\$ Exchange Rates, (annual averages).

	<u>Consumer Price Index</u>	<u>Export Price Index</u>	<u>GDP Deflator</u>	<u>SEK/US\$ Exchange Rate</u>
1970	41.4	38.4	39.8	5.17
1971	44.5	40.2	42.9	5.12
1972	47.1	41.2	45.9	4.76
1973	50.3	45.5	49.2	4.37
1974	55.3	57.3	53.4	4.44
1975	60.7	65.7	61.3	4.15
1976	67.0	69.9	68.4	4.36
1977	74.6	73.8	75.7	4.48
1978	82.0	78.3	83.3	4.52
1979	88.0	88.4	89.4	4.29
1980	100.0	100.0	100.0	4.23
1981	112.1	108.9	109.5	5.06
1982	121.7	122.0	118.9	7.29
1983	132.6	136.5	130.5	8.00
1984	139.5	147.2	140.8	8.99

Source: Statistics Sweden, various publications.

Africa3

Marian Radetzki  
August 1986Chapter 3. SWEDISH AID ALLOCATIONS EXPLAINED: PRINCIPLES VERSUS PRACTICE<sup>1</sup>

The primary purpose of this chapter is to provide an explanation of the actual volume and content of Sweden's aid to Kenya and Tanzania, and of the changes over the period covered by this study. In the first section there is a broad discussion of the goals and objectives imposed by Sweden, in theory and in practice, on its aid. The second section explores how these goals and objectives have been applied in shaping the aid flows at large to the two countries. The third section discusses how the details of the aid flows were determined. In the fourth section, the feedback from aid experience is analyzed. The last section summarizes the findings of the chapter.

1. The goals and objectives of Sweden's aid

The fundamental rationale behind the Swedish involvement in foreign aid has been a feeling of solidarity with the poverty stricken population groups in low income countries. The perceived need for Sweden's involvement was strengthened by the popular perception that this country's aid could counterbalance in some measure the strong capitalist and neo-colonialist forces that were threatening an equitable economic progress in poor countries. The justification for Sweden's assistance was reinforced by a strong belief that this country's experiences of more than a century of exceptionally speedy social and economic progress could be usefully applied in the third world, thereby facilitating and accelerating the process of development. To the moral and humanitarian ideal of helping people in need was added the recognition that economic development of the poor nations is a prerequisite for peace and freedom in the world - a long standing aim of Swedish foreign policy<sup>2</sup>. These feelings of solidarity and mission explain the preparedness of the Swedish governments - and the electorates supporting them - to spend an internationally very high proportion of the country's GNP on foreign assistance to far-away nations.

Promotion of development in recipient countries has always been the officially proclaimed objective of Sweden's aid. "Development" is a nebulous concept, and so, a need has been felt to identify a somewhat more precise set of aims for the Swedish

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<sup>1</sup>This chapter draws heavily on material prepared by Lars Rylander.

<sup>2</sup>Ruth Jacoby, "Swedish aid and commercial interests", draft contribution to a forthcoming volume entitled Swedish Development Aid in Perspective, Stockholm, June 1986.

foreign assistance flows. Since the early 1970's, official documents have professed four goals for the Swedish aid programs, viz:<sup>3</sup>

- (a) resource growth;
- (b) increased economic and social equality;
- (c) economic and political independence; and
- (d) development of democracy in society.

Throughout the period under review, these goals have been submitted to a lively discussion, both inside and outside government circles. There has never been any requirement that each aid activity should satisfy all four goals at the same time. Both the policy makers and SIDA, the executing agency, seem to have accepted that a discrete project may contribute to the fulfilment of only one or a few of the goals.

The relative importance attached to each of the goals has varied over time. The goal of democratic development has not had any important impact on aid policies. In a critical scrutiny of Swedish aid policies, its inclusion is seen to have had mainly a ritual significance.<sup>4</sup> The dominance of the resource growth goal in the late 1960's was replaced in the 1970's by increasing concerns for equity and independence<sup>5</sup>. In the mid-1970's, for instance, it was suggested by a public inquiry that if a goal conflict were to emerge, the equity goal should have precedence over the resource growth goal<sup>6</sup>. Interestingly, this shift in emphasis coincided with a corresponding shift in the internal economic policies of Sweden. The experiences of fast and steady economic expansion through the 1960's resulted in a complacent attitude regarding the preconditions for economic efficiency. Growth was taken more or less for granted, and the political efforts were instead focused on bringing about a more even distribution of income and wealth. This attitude was also applied in delineating Sweden's aid.

However, under the strains of economic stagnation or decline that affected both Sweden and its aid clients in the 1980's, the resource growth goal seems to have come back into focus, even

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<sup>3</sup>Sveriges samarbete med utländerna, SOU 1977:17.

<sup>4</sup>O. Stokke, Sveriges utvecklingsbistånd och biståndspolitik, Nordiska Afrikainstitutet 1978.

<sup>5</sup>Ibid.

<sup>6</sup>Sveriges samarbete med utländerna, SOU 1977:17.

though this has not yet found very clear-cut expressions in aid policy statements<sup>7</sup>.

While the four goals do reflect the fundamental concerns in Sweden's aid involvement, and provide a general idea of the direction and thrust that the Swedish government would like its aid endeavors to take, they leave a very wide scope for alternative interpretations. This may be intentional. It was probably easier to obtain political support for a set of general and ambiguous objectives than for more detailed and precise ones. It follows, however, that the goals are hardly suited as operational guidelines for the aid program. The policy makers apparently felt that the nitty gritty of aid would be better left to the executive agency to work out. In response, SIDA has issued over the years a series of papers identifying in more operational terms the intended structure and purposes of e.g. its support for rural water or rural health worldwide<sup>8</sup>.

Apart from the above four goals, Sweden's aid has at times been conditioned by a variety of other more or less explicit objectives.

One objective pertains to the desire that aid should primarily help in financing physical and human investment, and assist in the startup phase of operations. Throughout their existence, the aid endeavors of Sweden have been regarded as temporary activities, aimed at setting up capacities that would subsequently remain in permanent use without foreign support. A successful outcome of the aid endeavors has presupposed that Swedish involvement could cease once the investment phase, defined in a broad sense, had been completed, and that continued operations could be assured through national efforts. Two rationales explain this Swedish attitude. The first arises from the view of foreign assistance as an instrument to promote emancipation and independence. This precludes a permanent dependence on aid. The second and more practical rationale is a reluctance on the part of the Swedes to make commitments stretching into perpetuity. The temporary nature of Swedish aid involvements does not imply a short run character. In launching programs of education, health or rural water supply, it was often understood that support from Sweden would continue for at least one or two decades.

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<sup>7</sup>Implicit arguments suggesting that aid efforts should focus more on activities that promote growth are found in SIDA's Budget Proposals concerning aid to Kenya and Tanzania for 1983/84-1984/85, both dated March 1983.

<sup>8</sup>"SIDA's strategi för landsbygdsutveckling", SIDA 1981; "Policy för SIDA's halsobistånd", SIDA 1982; J Stymne, "Importstöd - Principer och problem", SIDA 1984; "Vattenstrategi, Landsbygdens vattenförsörjning", SIDA 1984.

A second objective which assumed great importance in the early 1970's, especially in written aid policy statements, but which has faded into the background in more recent years, was that the recipient should have more or less complete freedom in determining how to use aid resources. In practice, this objective was never fully implemented. Throughout the decade, SIDA retained a considerable influence over project design and implementation<sup>18</sup>.

The goals and objectives enumerated so far, describe the Swedish donor's perception of the conditions that needed to be satisfied for his aid to be an efficient instrument of development in the recipient nations.

A further, initially implicit objective, has been primarily concerned with the donor's interests. The objective is to use Swedish resources in preference of resources from other nations, as foreign inputs in aid programs in recipient countries. One practical implication has been the virtually exclusive use of Swedish experts in technical assistance programs. In principle there have been no absolute restrictions against the use of foreign experts: in practice non-Swedish technical personnel has been employed only in exceptional circumstances. Another implication of this objective has been a tendency to choose aid activities in areas where Swedish competence is regarded as especially proficient: forest industries and cooperatives are two examples.

If systematically pursued, the choice of areas in which Sweden has a distinct comparative advantage, could have led to an improvement in terms of Sweden's aid effectiveness. However, the subject diversification of the Swedish programs has been so great as to dilute this possible benefit. Furthermore, it is by no means clear that the technology upon which the Swedish comparative advantage is based, would also suit the recipients of Swedish aid. A further precondition for the effectiveness of an aid program that focused on areas of Sweden's competitive advantage would then be an active effort to adapt the Swedish technologies to the conditions in recipient countries. No systematic endeavors in this direction have been undertaken.

The objective to use Swedish resources has become more explicit and more openly selfish in the decisions since the early 1970's to tie increasing amounts of the Swedish aid budget to purchases in Sweden. Formally tied aid increased from a trifle of 21 million SEK in 1971/72 to about 600 million SEK in 1976/77 and to more than 1100 million SEK in 1983/84. The figures for the two latter years corresponded to some 20 % of the total Swedish aid budget<sup>19</sup>. The factors explaining this policy redirection include

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<sup>18</sup>Interview with Bo Hanslrom, SIDA, June 1986.

<sup>19</sup>Sveriges samarbete med utl anderna, SOU 1977:13; Bist and i siffror och diagram, SIDA, Nov 1984.

the sharp deceleration in economic growth and the serious current account deficits experienced by Sweden after the first petroleum crisis. The result was a weakening of the traditional altruistic aid constituency, and a strengthening of the interest groups which saw a possibility to use Sweden's foreign assistance for promoting this country's commercial interests. An additional factor was the disappointment about other donors' unwillingness to untie their aid flows<sup>11</sup>. In these new circumstances, the government succumbed to the pressures to restructure the aid program with an aim of assuring a greater benefit from it to the Swedish export industry.

Dilemmas have obviously arisen in consequence of the multiplicity of goals and objectives pursued all at the same time by the Swedish aid program. An activity that assured a high productivity in terms of recipient growth would not necessarily do so in terms of evening out the recipient's income distribution. Tying of aid to Swedish resources did improve the donor's current account, but regularly at the cost of a reduced development impact in the recipient country. The ultimate consequence of the multiple goal strategy must have been a lower achievement in terms of growth and distribution in the recipient countries, than would have been the case in a program that focused entirely on recipient development.

There has been very little public discussion of existing tradeoffs between goals. The obvious possibility of goal conflicts was quite not even recognized in central policy statements<sup>12</sup>. It could be that the image of purported harmony between the different aid goals, and the cost in terms of lost efficiency from the pursuit of them all, was the price that had to be paid for attaining a broad political consensus about the continuation of the large and generous foreign assistance program.

The government and its aid agency have had two principal instruments by which to attain the professed goals and objectives.

The first is the choice of recipient countries. The desire was to have aid recipients whose domestic circumstances assured that Sweden's aid would attain its goals. On these grounds, a number of countries were added to the list of recipients as the Swedish aid flows were expanded after 1970: Cuba and Vietnam, because of the egalitarian policies that their governments were seen to pursue; the two plus Botswana, Lesotho and Mozambique, because their economic and political independence was seen to be compromised by the policies pursued by the US and South Africa. A careful choice of recipients who pursued development policies

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<sup>11</sup>Ruth Jacoby, op. cit.

<sup>12</sup>Regeringens proposition 1977/78:135, p 11.

consonant with the Swedish aid goals became particularly important during the 1970's, when, according to the then prevailing aid doctrine, the countries receiving Swedish aid should have a major say in determining its contents.

The instrument of country choice was not very flexible in the case of countries that were already receiving Swedish aid at the time when the goals were formulated. There was a great reluctance to break off the aid relationship, except in consequence of drastic internal policy change like the one that occurred in Chile in 1973. Hence, the evolving policy response was to redistribute aid in favor of those recipients whose development strategies were believed to assure the satisfaction of Swedish aid goals<sup>13</sup>.

The second instrument by which to improve the Swedish goal attainment is the selection of activities, the design of individual projects and the supervision of project operations in a way seen to promote development as defined by the goals. This instrument was more intensively used in the recipient countries which were seen to give insufficient emphasis to equity in their development programs. The promise of support for programs of especial benefit to the poor was used as an inducement for the national governments to launch such programs. Both theoretical arguments and empirical observations suggest that Swedish aid may have had some impact on national policies in this regard, at least in smaller recipient countries<sup>14</sup>.

An interesting confusion in the choice of countries for the purpose of Swedish goals can be observed. In some cases, country choice or country emphasis has been motivated by the belief that the recipient's policies will assure a high productivity for Swedish aid in terms of the goals (Cuban and Tanzanian policies to even out income distribution). In other cases, the fact that a goal is badly satisfied, was used in Swedish policy discussion either in favor of aid (economic and political independence in Botswana), or against aid (uneven income distribution in Kenya), without any consideration of the impact of the aid flow on the goal attainments. This confusion could of course be due to the fact that the goals were used ex post to justify country choices that had in effect been made on other grounds.

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<sup>13</sup>SIDA's ånslagsframställning 1977/78, SIDA 1976.

<sup>14</sup>See M. Fadetti, Aid and Development, Praeger 1973. Bo Karlstrom of SIDA suggests that the government of Kenya was initially reluctant to the Swedish proposals to launch rural water supply projects, but that it was eventually convinced of the social and political benefits of this activity.

## 2. Swedish goals and the differential treatment of Kenya and Tanzania

The multiplicity and width of the goals and objectives that the Swedish aid was supposed to satisfy, the lack of discussion about tradeoffs between them, and the shifting importance attached to each could be used to justify a very wide array of countries and activities for Swedish foreign assistance.

In the case of Kenya and Tanzania, it may first be noted that among the four official Swedish goals, only that of increased equality, has been instrumental in shaping the aid flows. The goal of development of democracy has typically been mentioned only parenthetically in the aid documents on Kenya and Tanzania, while the economic and political independence goal has been by and large neglected with the justification that the two countries are independent in these two respects. The application of the resource growth goal in the delineation of aid, also seems to have been highly marginal, at least until the early 1980's.

A second noteworthy observation is that neither SIDA nor any other government body in Sweden has ever conducted any full-fledged macroeconomic analysis of the two countries. The country reports that have been prepared by the aid agency from time to time do not convey a comprehensive understanding of the functioning of the two economies at the aggregate level. SIDA has obviously had access to the macro-analyses prepared by the World Bank and the IMF, but it is not clear from its documentation on projects and country programs whether and how these analyses were employed in the aid work.

One can think of various explanations to the very large difference in the size and content of Sweden's aid programs to Kenya and Tanzania. Tanzania's African Socialism caused a showdown with a group of major aid givers in the late 1960's. At the time, the dominant Swedish aid constituency saw this as a trial of strength between the progressive national government and the neo-colonialist foreign powers, in which Sweden's support for the former assumed an especially critical importance. The opportunity for Sweden to take on a leading donor role was eagerly assumed, given that the ideology espoused by President Nyerere conformed with the values promoted in Sweden: an egalitarian, non-exploitative society, democratic political development, and extension of welfare via the public sector<sup>19</sup>. In Kenya, the corresponding opportunities and confluent values were not seen to be present. Official Swedish aid policy documents explain the difference in approach to the two countries primarily by the importance attached to the Tanzanian policy proclamations

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<sup>19</sup>K. Foss, Planning and Evaluation in Aid Organizations, Institute of International Business, Stockholm School of Economics, 1985.

concerning social and economic equality. The official Swedish views on the two countries and on the aid that Sweden was expending on them, are summarized in the following paragraphs.

The perceived concord between the Swedish equality goal and the Tanzanian policies emerges strongly from official SIDA documents<sup>14</sup>. This concord was used in justification of broad sectoral support. The donor control contained in project selection and project execution was not considered necessary when the objectives of donor and recipient were seen to be the same<sup>15</sup>. The sympathy with Tanzanian development efforts led to an indulgent attitude when serious problems in aid performance emerged. These problems were, sometimes seen to depend on lacking administrative capacity caused by historical circumstances rather than by the government's negligence<sup>16</sup>. Hence, in the donor's view, the problems did not constitute a reason for reconsidering the Swedish programs. Instead, SIDA's board recommended an increased effort to make the Swedish public opinion more sympathetically inclined towards the difficulties faced by Tanzania<sup>17</sup>. A similarly indulgent attitude was adopted at the emergence of large scale and semi-permanent current account deficits. These deficits were seen to warrant additional Swedish assistance flows<sup>18</sup>. A recent case of remarkable understanding is found in the Nordic project to support Tanzania's cooperatives. The project has continued in spite of the Tanzanian decision in 1976 to dissolve the cooperative movement completely. In the early 1980's, the project's performance rating was classed as having "moderate problems" only<sup>19</sup>.

These somewhat idealistic attitudes towards Tanzania prevailed for a long time. It took more than a decade of practical experience for the Swedish donor to perceive fully - and to voice - the problems for national development in general and for the Swedish aid effort in particular, caused by Tanzania's internal policies. From 1983 and onwards, however, official SIDA documents start to express the view that serious negligence on the Tanzanian side had hampered the Swedish-financed aid efforts. At the same time, increasing doubts are aired about the appropriateness of the large-scale import support to overcome perennial current account deficits, so long as Tanzania

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<sup>14</sup>SIDA's Audit Report for 1973/74, SIDA 1974; SIDA's anslagsframställning 1975/76, SIDA 1975.

<sup>15</sup>SIDA's anslagsframställning 1977/78, SIDA 1976.

<sup>16</sup>Samarbetsprogram med Tanzania 1977/78-1979/80, SIDA 1977.

<sup>17</sup>ibid.

<sup>18</sup>Samarbetsprogram med Tanzania 1976/77, SIDA 1976.

<sup>19</sup>Project-Programme Followup 1984, with Performance rating, SIDA 1984.

maintained its pricing, trade and exchange rate policies, which were seen as the primary cause to the deficits<sup>22</sup>.

The perceived discord between Swedish goals and the policies pursued by Kenya emerged gradually during the 1970's. In 1972, the orientation of the Kenyan development policies towards growth was noted, but was not considered a serious obstacle to Sweden's goal attainments, provided that aid was directed towards agriculture and rural development<sup>23</sup>. From the middle of the decade, however, the Swedish attitude changed and hardened. Thus, it was argued that Kenya had not introduced any policies aimed at narrowing existing income gaps<sup>24</sup>, and that both the skewed distribution of income and land holdings, and the high level of unemployment were likely to deteriorate further over time<sup>25</sup>. It was felt that in this environment the Swedish efforts were unlikely to contribute to economic and social development<sup>26</sup>. These views formed the basis for a proposal by the management of SIDA (never implemented) to discontinue the assistance programs altogether<sup>27</sup>.

The negative attitudes prevailed also in the early 1980's. Due to the Kenyan socio-economic environment, Swedish aid was not believed to have improved the conditions of the poor - the overriding goal pursued - but only to have reduced the inequality between the rich and the middle class<sup>28</sup>.

This difference in Swedish attitudes, based on perceptions of the social policies pursued in the two recipient countries, but not on measurement of actual distributional achievements, is the major explanation of (a) the greater Swedish generosity towards Tanzania; (b) the greater emphasis on program-type support in Tanzania; and (c) the greater share of aid resources allocated to the modern sector in Tanzania. The last two points reflect the donor's trust that Tanzanian policies would assure an overall national resource allocation consonant with the Swedish equality goal.

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<sup>22</sup>Samarbetsprogram med Tanzania 1983/84-1984/85, SIDA 1983.

<sup>23</sup>SIDA's Audit Report for 1971/72, SIDA 1972.

<sup>24</sup>SIDA's Combined Audit Report for 1975/76 and Budget Proposal for 1977/78, SIDA 1977.

<sup>25</sup>These views may have been inspired by the contents of Employment, Incomes and Equality, ILO, Geneva 1972. The findings of ILO with regard to income distribution have been heavily criticized. See for instance P. Collier and D. Lal, 'Why Poor People Get Rich: Kenya 1960-79', World Development, No 10, 1984.

<sup>26</sup>Samarbetsprogram med Kenya 1977/78-1978/79, SIDA 1977.

<sup>27</sup>Landöversyn 80, SIDA 1980.

<sup>28</sup>Samarbetsprogram med Kenya 1983/84-1984/85, SIDA 1983.

The opinions, beliefs and interpretations just summarized, have, until very recently made Tanzania a much more favored and trusted Swedish aid recipient, despite the virtual absence of efforts - or data - to measure distributional achievements, and despite Kenya's superior record with respect to two other Swedish aid goals. Thus, the Kenyan economy has been the more productive of the two in that it recorded a considerably faster growth of resources during the period under scrutiny. Throughout the period, the authorities in Kenya have been more prepared to accept and encourage private organizations and interest groups, than in Tanzania. This has given a more pluralistic character to the Kenyan society. Also, certainly at least until 1982, when a one-party system was introduced, Kenya's political structure was more democratic than Tanzania's. The formal democracy and market economy of Kenya are more in line with Swedish voters' political preferences than Tanzania's one-party system and tendency towards central economic planning. The favored treatment afforded to Tanzania was apparently based on the donor's interpretation of political intentions, not actual achievements in terms of equality. The latter have actually never been determined<sup>27</sup> nor compared with the achievements in Kenya.

### 3. The determinants of the contents of Swedish aid

To maximize the development impact of aid, the donor should ideally seek out those bottlenecks and constraints in the development process that for some reason are not easily attended to by the recipient. The donor should then obtain the resources needed, at home or abroad, and apply them for the purpose of relaxing the constraints.

This approach may be seen as an ideal towards which one should strive, but that is not fully attainable with the present state of science and knowledge. Development theory has few precise things to say about the functional and temporal inter-relationships between, for instance, investments in education or health on the one hand, and economic or social progress on the other. Even if the theoretical knowledge were available, there are few, if any, individuals or institutions with a sufficiently

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<sup>27</sup>Quotable figures on income distribution in Tanzania after 1970 do not exist (World Bank, World Development Report 1985). Public Tanzanian claims about the wide distribution of social services are being increasingly questioned. For instance, while 38 % of the rural population is claimed to be covered by improved rural water schemes, only 12 % of that population has factual reliable access to such water (for evidence, see chapter 4). The Tanzanian policies of public employment, agricultural pricing, exchange rates and distribution of consumer goods are all heavily biased against the rural population, within which the country's poorest groups are found.

detailed knowledge about the countries receiving aid, to permit a donor to proceed in the rational manner outlined above.

Even though the ideal is not attainable, it points to the guidelines that should be followed by a donor who wants his aid to yield as much development as the state of the art permits.

A first guideline is that the donor should distil the maximum possible insights from development theory in allocating his aid resources. A second guideline is that he should acquire the best available knowledge about the macroeconomic and macrosocial circumstances of the recipient country, and use this knowledge in designing the aid programs. And a third guideline is that the contents of aid should be determined with the sole objective to promote recipient development. Numerous studies show that a mixture of objectives, like for instance in the case of tied aid, reduces the effectiveness of assistance in promoting development.

Available documentation suggests that these guidelines have not played a central role in the determination of the contents of Sweden's aid. Neither individual projects nor the national programs as a whole have been tested against the major theories of development to clarify whether or not they represent an appropriate allocation of aid. The knowledge within SIDA about the macroeconomic circumstances in recipient countries and the interest in tracking the macroeconomic development has been less than impressive. The allocation of Swedish aid has been shaped by a number of forces, and some of these have certainly had other motivations than the desire to promote recipient development.

In reality, a variety of factors have influenced the allocation of Sweden's assistance contributions. Some of these have certainly contributed positively to Swedish goal fulfillment; others have had a less constructive role in this respect. The most important ones are listed below, along with brief comments relating them to the actual aid programs:

(a) The recipient government's requests. As noted earlier, a leading rule for Swedish aid during most of the 1970's was that the recipients should themselves decide how to use the aid resources. This appears to have been much more true for Tanzania than for Kenya. The sectoral shift from rural development and agriculture to industry in Tanzania in the late 1970's, reflects the recipient's desires. However, the application of the rule has been severely circumscribed by the other factors influencing the contents of aid.

(b) The donor's assessment of what is good for his goal achievement. The influence of this factor is primarily seen in the sizable proportion of Swedish resources spent on public services to poorer population strata, so as to remove existing inequalities. Support for rural water supply and rural health are

illustrative examples of Sweden's initiatives, motivated by its views on development.

(c) Donor beliefs that a certain activity is neglected. Until the early 1970's support to family planning in Kenya was pursued primarily on this ground. Support programs for women's activities in both countries have come into being mainly because of Swedish urges.

(d) Special competences possessed by the donor country. A number of the Swedish ventures, including support to cooperatives, vocational training, forestry and hydro power, have been motivated on this ground. The donor preferred them because they reduced the strain of aid on his balance of payments. The recipient favored such choices both because the donor competence assured efficient execution, and because a compliance with donor wishes smoothed the aid relationship.

(e) Supplies available in the donor country. The most obvious example is the import support tied to purchases in Sweden, extended to Kenya and Tanzania since the latter 1970's. Swedish supplies and competences have determined the choice of sometimes inappropriate technology used in aid projects. This is true of grain storage in Tanzania<sup>30</sup>, where eventually, one of the modern technology silos had to be blown up due to infection<sup>31</sup>, and of rural water supply in both countries, where the use of diesel pumps proved difficult to operate and maintain.

(f) The executing capacity of the donor agency. Constraints in SIDA's administrative capacity, have led to some preference for large-scale projects permitting the handling of sizable amounts of money per administrator. The same constraints explain in some measure the shift from project to program support in both countries since the early 1970's. (More on this factor in section 4 below.)

(g) Donor collaboration. The desire to collaborate with other donors has sometimes been a factor influencing the contents of Swedish aid. For instance, Nordic collaboration managed by Finland has involved Sweden in an agricultural venture in Tanzania. In 1984, as the crisis in that country deepened, the Nordic aid agencies initiated a much closer coordination of their assistance. Collaboration with the World Bank has been an inducement to the Swedish engagements in establishing a paper and pulp industry in Tanzania, and in dry land ranching in Kenya.

Many cases can certainly be found where the ultimate factor determining the content of aid was amplified by another factor. This would be especially true of the recipient requests which may

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<sup>30</sup>M. Fadetski, Aid and Development, Praeger 1977.

<sup>31</sup>Private communication with Gösta Edgren.

initially have been shaped by what the recipient believes that the donor is prepared to offer.

#### 4. Feedbacks from experience

This section explores how Sweden's aid has been influenced by the experience gained over time, and what adaptations in its content or other features that have been undertaken as a result. It begins by discussing the role played by evaluations of ongoing activities. The influence of other experiences is then taken up. The role of interactions between Sweden and other donor countries in Kenya and Tanzania, on the contents and practices of aid are also touched upon briefly.

#### Evaluation

Micro-evaluation is clearly an indispensable first step in aid assessments, but it has to be complemented by more wide-ranging approaches in which the aid effort is studied in a macro-economic framework, if one wants to get a feel for the impact of aid on the goals as determined by Sweden, or on national development in some other sense. Judging from the material made available by SIDA, the effort to evaluate the projects in focus of the present study, or the Swedish aid programs in total, has not probed the problems at an adequate depth. More specifically, there have been very few full-fledged benefit-cost analyses of individual aid endeavors, *ex ante* or *ex post*, and hardly any attempts to relate them to the macroeconomic or macrosocial circumstances of the recipient countries.

Most of the endeavors at analyzing the aid ventures have had a micro-character. There have been series of reports from annual joint missions by SIDA and the relevant recipient country ministry, in which the respective projects were scrutinized. These and other similar scrutinies, undertaken by SIDA itself or commissioned from outside consultants, are useful in that they point to achievements and indicate means to overcome observed deficiencies or failures. By describing the projects' outputs, they also provide a partial measure of the contribution of the specific project under investigation, to resource growth. Even at a strictly, micro-economic level, however, these reports have been inadequate in that they did not measure and evaluate the total costs expended for the recorded achievements. Full-fledged micro-economic evaluations have been rare. The attempts at understanding the macro-economic circumstances of Kenya and Tanzania, as they appear from the documents in which aid is assessed, are superficial, and lacking in analytical effort to exploring the relationship between Swedish aid and these circumstances.

The discussion of goal fulfillment in the documents that assess Sweden's aid has been vague. As noted, the micro-evaluations do provide some measures of the aid projects' contributions to

resource growth. The impact on equity, admittedly much more difficult to measure, ordinarily receives its due by claims that the activities pursued aim at the poorer strata of the two countries' population, but as a rule there is no penetrating analysis in support of the claims. The remaining two goals are typically referred to only in passing.

For a donor whose contributions weigh so heavily in Kenya and Tanzania, one would have expected analytical attempts to show that the set of ventures undertaken, and the chosen mode of executing them, contributes to development, however defined, better than alternative sets and modes of execution. One would also have expected to see efforts aimed at clarifying how the Swedish involvements affect overall national resource allocation, and with what effect, on growth, equity or other development objectives. There is little evidence of such work having been conducted - or commissioned - by SIDA.

What are the explanations to these deficiencies in the evaluation of Sweden's aid? Several factors have probably been at work.

The first is a notion that the recipient governments and not SIDA, are primarily responsible for the evaluation of aid<sup>32</sup>. The notion has probably arisen out of the Swedish objective of the 1970's about the recipient's freedom in determining how aid resources should be used. This may have appeared as a constructive idea in principle; far reaching recipient responsibilities for all aspects of aid were seen to speed up the process of his economic emancipation and independence. In practice, however, the two recipient governments took very few initiatives towards evaluating Swedish aid.

The second is a weak interest in evaluation issues during the 1970's by SIDA's chief executives and board, and among the politicians involved with aid policy. During that decade, the growth of Sweden's aid was extremely fast. Between 1970/71 and 1980/81, total disbursements increased more than sixfold in nominal terms (2.4 times in real terms). All efforts were focused on the identification of new areas of expenditure. Little time was devoted to reflection about the appropriateness of earlier spending. Since the resource availability did not constitute a constraint, the policy makers and executors could afford a relaxed view on evaluation of what had been done.

A third factor, closely related to the second, is that adequate evaluation exercises are time consuming and require large inputs of qualified manpower with valuable alternative uses. This is particularly true of socially oriented public sector ventures.

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<sup>32</sup>Swedish National Audit Bureau, SIDA in Tanzania, 1974, p 27, 128; Swedish Ministry of External Affairs, Effektivare Bistandsadministration, DS UD 1984:1, p 201.

Meaningful benefit-cost analyses of e.g. rural health or rural water programs pose very serious conceptual and practical difficulties.

Finally, the accounting systems employed by SIDA have not been conducive to facilitating evaluation exercises. This in itself may reflect the weak interest in evaluation endeavors. For instance:

(a) The cost reporting discriminates between 'goods', 'services' and 'costs' and distinguishes Swedish from non-Swedish origin. On the other hand, no distinction is made between 'investments' and 'recurrent expenditures', a categorization of crucial importance for project followup.

(b) The cost center is usually a ministry in the recipient country. Since the ministry may receive support for several projects, it becomes difficult to separate out the costs of each. This accounting practice has made it impossible to extract separate cost figures from SIDA's accounts for each sub-component in the six Swedish-supported activities surveyed in the following chapter.

A result of the low status and quality of the aid evaluation exercises has been a limited feedback from evaluation proper to the general direction of the aid activities. The sectoral shift towards agriculture and rural development in Kenya from the mid-1970's was due to Swedish opinions about, not analyses of Kenya's development policies. The simultaneous shift away from agriculture and rural development in Tanzania was a result of the Tanzanian government's wishes based on analyses by the Harvard Institute for International Development, which concluded that a large industrial program could be quite sensible from an economic growth standpoint. Though Sweden expressed doubts about the Tanzanian focus on industrial expansion<sup>33</sup>, no independent analysis was undertaken by SIDA to clarify the effectiveness of the new thrust of its aid in terms of Swedish goal attainments.

At the micro-level too, the feedback from evaluation has been limited, even with regard to relatively simple and easy-to-rectify problems. Administrative deficiencies within SIDA, including a short institutional memory, have been seen as contributing to this inability to close the feedback loop<sup>34</sup>. For example, the joint annual survey missions often repeat their findings from year to year, without any effective measures being taken to come to grips with the problems.

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<sup>33</sup>Samarbetsavtal med Tanzania 1979/80 - 1980/81, SIDA 1979.

<sup>34</sup>Swedish Ministry of External Affairs, Effektivare Bistandsadministration, DS UD 1994:1, p 207.

One of the instances where evaluation had a strong impact on a SIDA-supported activity concerns rural water supply in Tanzania. In an evaluation in 1980 it was demonstrated that the emphasis on establishing new wells with high unit costs reduced the scope for maintaining existing wells. The evaluation indicated that with unchanged budget allocations, the adopted project orientation would lead to a gradual reduction in the rural population with access to water.<sup>35</sup> A major cause to this counter-productive trend was the choice of technology. The combination of soaring fuel prices at the time, and lack of local know-how and spare parts, left an ever increasing number of the diesel pumps used inoperative. These findings led to a decision in 1981 to transform the Swedish endeavor from a general nation-wide sectoral support to a concentrated effort in four regions, and to give priority to operations and maintenance issues, involving i.a. the replacement of diesel pumps with handpumps; and increased popular participation<sup>36</sup>.

In the 1990's, the growth of aid has been slow, and the pressures to improve its effectiveness have increased. The policy statements of the decade stress the Swedish donor's role in allocation and evaluation. Under these pressures, the importance of the evaluation function is being reassessed, and the quality of the evaluation exercises has improved<sup>37</sup>.

#### Other feedbacks

Experiences and perceptions that influence aid may have their origin in other processes than formal evaluation exercises of aid. They may, be based, for instance, on mere observation of aid projects, on difficulties in execution at the donor end, or on impulses obtained from others, e.g. other donors. The following discussion deals with a few such feedbacks that have influenced Sweden's aid to Kenya and Tanzania.

Insights from ongoing aid endeavors which, though not codified in formal evaluation studies, have nevertheless had an important impact on Swedish assistance, include the appreciation that effectiveness of aid requires less sophisticated technologies than those initially used in many projects. A similar lesson from experience now increasingly stressed in aid execution is that strong popular participation is a precondition for successful broad-based rural development ventures. Another example of learning from experience is that aid will not be effective in the

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<sup>35</sup>Action Program in the Rural Water Supply Sector in Tanzania, AIB 1980.

<sup>36</sup>Samarbetsprogram med Tanzania 1981/82-1987/84, SIDA 1981.

<sup>37</sup>An example of a more comprehensive approach to evaluating Swedish aid is contained in "SIDA, Evaluation of Swedish Assistance to Health Sector in Kenya 1969-85, 1986/3, Part 1".

presence of macro-economic policies that work counter to the aid projects' objectives. The more recent Swedish stress on Tanzanian macroeconomic policy reform is a practical expression of this insight.

An original objective of Sweden's aid endeavors was to support investments to set up production capacities which would subsequently remain in permanent use without foreign support. Experience has forced the Swedish aid policy makers to reassess this objective. Especially in the 1980's it became evident that the recipient in many cases could not, or was not willing to, take up the obligations for the endeavors in the post-investment stage, for instance because the growth of his national economy or of his public revenue was lower than originally anticipated, or because the choice of technology necessitated operating costs over and above what the recipient government felt it could afford.

The adjustments are clearly seen in the changing structure of Sweden's aid. Early on, the Swedish programs did indeed consist mainly of investments in areas like power, roads, buildings, water or industrial equipment. Later, the emphasis shifted towards the necessary software to run these installations, e.g. training curriculae, health plans, operating systems and instructions. More recently, the aid effort had to shift once again, to assist in the management of the facilities, and to cover the cost of operations.

The Swedish aid agency has responded with reasonable flexibility to these problems. In recent years, the necessity to cover recurrent costs in order to keep earlier aid financed investments operative, has been increasingly, though by no means generally accepted by the Swedish donor as the most economic way of spending additional aid resources. No clear-cut general policy in this regard has yet been established.

It was noted earlier in this chapter that Swedish aid doctrine was altered in the early 1970's towards permitting the recipients a major say in the determination of the contents of aid flows, but that there was a reversal ten years later back to a position in which Sweden's influence was again increased. There is a debate about the extent to which this change in doctrine really influenced the practical policies. However that may be, the rationale for the original shift was a concern about recipient independence, and a belief that the emancipating national governments had acquired a capability, to make the "right" choices. The reversal in the 1980's can be seen, in part at least, as a result of "learning by doing". It was prompted by a greater emphasis of Swedish self-interests, but importantly, also by the realization that the recipient choices were not always well conceived or in accord with the basic goals of Sweden's aid.

Another reason for important shifts in Swedish aid policies has its ground in the repeated complaints by SIDA that its administrative capacity is inadequate for efficient management of the growing aid programs. This perception has led to several important policy changes. One has consisted in the shift from project aid to sectoral support, on the ground that the latter requires less administrative inputs from SIDA. A similar rationale provides part of the explanation for introducing the import support schemes and for prolonging Swedish aid agreements with Kenya and Tanzania (and with other countries) from one year to several years, beginning in the mid-1970's<sup>36</sup>.

In the 1980's, there has been a reversal in some of these trends. Observations and impressions of resource waste in the application of aid have led SIDA to assuming a more active role with regard to the sectoral and import support. Despite the increased administrative burden imposed on the aid agency, these types of aid have for all practical purposes been given the form of project support, with detailed donor involvement in choice of goods and projects on which the support should be spent.

Other impulses to redirect or restructure aid have come from the Swedish aid establishment's interactions with other donors. Swedish aid allocations have been avoided in areas where other donors' efforts were seen to provide adequate support. The practice of country programming adopted in the early 1970's, where negotiations with a recipient about the contents of aid start out from a total budget allocation, is based on international precedents<sup>37</sup>. The shift from project to sectoral or program aid noted above, is partly explained by the international trends among donors. So is the more interventionist attitude in the early 1980's, in response to the many disappointments of aid performance, and the increasing commercialization characterizing Swedish aid in the present decade.

The inter-donor influence may also have gone in the opposite direction, even though the Swedish impact outside the Nordic circle has been limited. The energetic Swedish initiatives to venture into rural water and forest development has probably also had some donor followers in the two recipient countries.

##### 5. A summary of findings

The Swedish aid programs have been governed by a multiplicity of goals and objectives. In practice, aid in the 1970's has been predominantly shaped by Swedish perceptions of what was needed to

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<sup>36</sup>Swedish Ministry of External Affairs, Effektivare Bistandsadministration, DS UD 1984:1, p 7-8.

<sup>37</sup>K. Foss, Planning and Evaluation in Aid Organizations, Institute of International Business, Stockholm School of Economics, 1981.

promote equality and resource growth in recipient countries. In recent years, increasing preference has been given to the use of resources available in Sweden.

Tanzania was much more sympathetically viewed, and received much more aid on more liberal terms because its policies were believed to be more consonant with the official objectives of Swedish aid.

The sectoral contents of Sweden's aid have been determined by a variety of factors. The recipient governments' requests played a significant role. Swedish initiatives based on the belief that a particular activity will promote development, or launched because of physical supplies and competence availability in the donor country, were instrumental in determining the content of aid.

Experience gained through aid evaluation has had a limited influence on the content of aid, primarily because of the low quality of the evaluation efforts. At the micro-level, the assessment of aid has typically been limited to project outputs. There are no thorough analyses of the macroeconomic impact of Swedish assistance in Kenya and Tanzania. No attempts have been made to clarify the impact of Sweden's sectoral preferences on overall national resource allocation in the recipient countries.

In an effort to save on SIDA's administrative capacity, there was a strong tendency in the mid-1970's to shift from projects to sectoral and general import support. The dilemmas posed by the recipients' managerial inadequacies have led in the 1980's to frequent interventions and restrictions when these forms of aid were applied. As a result, sector and import support have lost some of their former flexibility and have become akin to project aid.

Experience has induced SIDA to abandon the original Swedish ambition that its aid should primarily be used for investments. In recent years, where lack of resources on the recipient side has threatened the viability of aid funded investments, increasing amounts have been expended by SIDA for operating cost financing.

Africa4

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August 1986

## Chapter 4. PROJECT EXPERIENCES

1. Introduction

In preparation for a more general analysis of the development impact of Sweden's aid to the two countries, the present chapter reviews briefly the experiences of selected projects and/or sectoral support programs in the field of agriculture and rural development. Six activities have been chosen for this scrutiny, viz. rural water and rural health in both countries, land care in Kenya and forestry in Tanzania. The accounts try to give succinct descriptions of what has been going on, to review the achievements and analyze the major problems and failures encountered in each case. The purpose is to provide insights and illustrations in support of the more general conclusions about the development impact of aid.

The presentation of each project has roughly the same format<sup>1</sup>. An attempt is made to measure the importance of Sweden's contributions in relation to the overall resource inputs in the activities under study. The Swedish endeavors are then described, noting any major changes in emphasis or direction over time. Finally, the achievements and shortcomings are briefly analyzed. To facilitate a comparison of what has been going on in Kenya and Tanzania, the order of project presentation is by subject rather than by country.

The sample of projects reviewed constitutes a substantial share of the total Swedish aid flows, but in no way exhausts Sweden's involvements in agriculture and rural development. The project selection was conditioned by a desire to include activities that weighed heavily in total disbursements and that were representative of the general thrust of Swedish aid. Appendix tables 1 and 2 after chapter 2, reveal that the funds expended on these projects in the period until 1 July 1984 amounted to SEK 391 in Kenya and SEK 771 in Tanzania. This constituted 26 % of total Swedish aid to Kenya and 67 % of the disbursements to agriculture and rural development in that country. In the case of Tanzania, the corresponding figures were 20 % and 76 % respectively.

2. Rural Water in Kenya

Kenya's decision in the late 1960's to launch a heavy program for the development of rural water supply was strongly stimulated by

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<sup>1</sup>Several of the presentations draw on material compiled by Apollo Njonjo of Business & Economic Research Co Ltd, Nairobi.

a dialogue with SIDA<sup>2</sup>. The Kenyan authorities' initial reluctance to this program was overcome by Swedish persuasion and offers of a generous financial support package<sup>3</sup>. The actual aid programs started in 1970. Up to 1 July 1984, the Swedish disbursements had reached SEK 224 million, 20 % of all Swedish aid disbursements to Kenya, and 38 % of the flows directed to agriculture and rural development. Until about 1977, Sweden was the only donor to the sector<sup>4</sup>, and provided around 40 % of total funds for the rural water programs<sup>5</sup>. More recently the role of Sweden has declined. For instance, in 1980/81, the Swedish contribution was about 13 % of the overall expenditures, corresponding to some 30 % of total aid funds<sup>6</sup>.

The Swedish program started slowly, but gained considerable speed from 1973/74. Until 1979/80, the thrust of the activities was towards construction. Some three quarters of total funds were expended for this purpose, with a heavy emphasis on piped supplies<sup>7</sup> in areas of high agricultural potential and with above-average income levels<sup>8</sup>. Other activities included technical assistance to the Ministry of Water, training of personnel, and the preparation of surveys and masterplans.

By the late 1970's, direct observations by SIDA and conclusions of several studies that the Swedish aid organ had commissioned, revealed a number of controversial issues that eventually led to a substantial change in the direction of Sweden's activities in the rural water sector.

As early as 1975, SIDA expressed dissatisfaction with the inefficiency of the Ministry of Water<sup>9</sup>, through which the Swedish programs were executed. These complaints have been repeated even in recent SIDA documents<sup>10</sup>. One concrete reason for the dissatisfaction was the slow progress in construction as compared to the original plans. For instance, in 1974, the Ministry and SIDA agreed that Sweden would finance and help to construct 75

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<sup>2</sup>Ulf Rundin, Tio ars bistånd till Kenya, SIDA, 1978.

<sup>3</sup>Interview with Bo Karlström, SIDA, June 1986. Statement based on his discussions with Ministry of Finance in Nairobi.

<sup>4</sup>Interview with F. Mureiti President of Kenya Drilling, formerly with Ministry of Water, Nairobi, Sept 1985.

<sup>5</sup>Samarbetsprogram med Kenya 1979/80-1980/81, SIDA 1978.

<sup>6</sup>Samarbetsprogram med Kenya 1981/82-1982/83, SIDA 1981.

<sup>7</sup>Samarbetsprogram med Kenya 1977/78-1978/79, SIDA 1977.

<sup>8</sup>Samarbetsprogram med Kenya 1983/84-1984/85, SIDA 1983.

<sup>9</sup>Samarbetsprogram med Kenya 1975/76, SIDA 1975.

<sup>10</sup>Samarbetsprogram med Kenya 1983/84-1984/85, SIDA 1983.

water installations to be completed by 1979. In 1983, only 22 of the units had been installed<sup>11</sup>.

A perennial complaint voiced by SIDA was that the Ministry allocated highly inadequate funds for operations and maintenance of the installations, resulting in serious operational deficiencies. A thorough SIDA-financed study for the Ministry, published in 1977<sup>12</sup> concluded that on account of such deficiencies, almost one half of the target population residing within the reach of the Swedish-financed ventures, did not use the water facilities at all, and that less than 30 % of this population had access to water facilities that functioned with reasonable reliability.

Later, SIDA realized that a great number of the installations had been delivered with serious faults. Apparently the control function executed by SIDA at this stage of the aid process, had not functioned satisfactorily. For example, one water scheme was delivered without water tanks, although tanks were a necessary prerequisite for its operation. Another scheme produced water unfit for human consumption. This was learnt only after SIDA had completed the construction of a rural health center which was supposed to obtain its water from the scheme.<sup>13</sup> These faults were the initial and possibly major cause of the malfunctioning of the system.

The issue of water tariffs has continuously marred the relationship between SIDA and the Ministry, and has never been properly sorted out. It is difficult to pinpoint the differences between the parties, since the views of both have undergone changes over time. During the early period the gist of the Swedish position can be summarized as an urge that the poor should preferably have free access to water, but that if charges were to be imposed, they should be so low as not to deter them from using the water facilities. As the malfunctioning of the system became apparent, the concerns of SIDA shifted to emphasizing a tariff structure that would assure adequate funds to cover the operations and maintenance costs. The Kenyan positions were heavily politicised, and oscillated between proposals for flat and differentiated tariff rates. The Kenyan goal for the high potential agricultural areas was that the tariffs should cover all operations and maintenance costs, but in practice the low level of tariffs imposed, and the inability to

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<sup>11</sup>ibid.

<sup>12</sup>"Evaluation of the Rural Water Supply Program", 1977 (the VIAK Report).

<sup>13</sup>Interview with Per Arvidsson, SIDA-expert in charge of the rural water rehabilitation program in Kenya, Oct 1985.

collect the impositions efficiently led to a situation where only a small fraction of the costs was recovered<sup>14</sup>.

The diesel driven piped water systems that were established supplied water both through individual connections that only the richer strata could afford, and through water points for communal use. The latter were ordinarily more marginally located, and were intended to serve the poorer population groups. For both technical and socio-political reasons, the communal points functioned particularly poorly. The flat water rates that were often applied led to excessive consumption by the centrally located consumers with individual connections, exhausting the capacity of the systems, and leaving little water for the poor. Less political pressure was exerted by the poorer consumers to extract resources for maintenance, so the communal facilities decayed faster than the individual connections. The collection of fees was inefficiently organized, and many communal points were disconnected on account of non-payment of the tariffs due. The discovery that a major proportion of the water went to the richer population groups while the poor, the central target group for Swedish aid, were increasingly excluded, greatly annoyed SIDA. Retrospectively, it is clear that SIDA lost control of both the technical and social aspects of this fast expanding program after 1973.

The increasing awareness of the issues just enumerated led to a sharp reversal of SIDA's activities around 1980<sup>15</sup>. While the nationwide character of the program remained, construction of new facilities was sharply reduced. Instead, almost half of the funds were redirected towards financing operations and maintenance costs in a wide sense including training of personnel, provision of tools and equipment, construction of repair workshops etc. While this shift must undoubtedly have helped in preventing a further decay of the rural water system built up during the preceding decade, there are no reports of any substantial improvements in its functioning. Neither is there any indication that the Ministry accommodated SIDA by giving the program a more poverty-oriented profile<sup>14</sup>.

Beginning in 1984, there was a further shift of orientation in SIDA's rural water program. Given earlier disappointments and endeavors initiated by other donors in specific geographic areas, the decision was to discontinue the nationwide effort, excepting support to training and a few maintenance-related investments, and to concentrate future activities to limited geographic areas

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<sup>14</sup>Summary of Recent Recommendations on the Rural Water Sector, SIDA, Nairobi May 1985.

<sup>15</sup>Samarbetsprogram med Kenya 1979/80-1980/81, SIDA 1978.

<sup>14</sup>Summary of Recent Recommendations on the Rural Water Sector, SIDA, Nairobi, May 1985.

in the Eastern and Coast Provinces<sup>17</sup>. The regional program consists of rehabilitation of existing installations and of technical and social experiments with communal water facilities at the local level in dry areas. Assurance of active participation and involvement by the local population both in operating and financing the schemes is seen as a crucial precondition for the successful outcome of these efforts<sup>18</sup>, though how precisely such assurance can be obtained, is not fully clear. Given the recency of this regionally oriented program, it is too early to make a judgment about its development impact.

The results of the national program implemented between 1970 and 1984 cannot be regarded as a success. SIDA's continued complaints about the inefficiencies of the Ministry of Water<sup>17</sup> suggests disappointment about the result of the long standing institutional support to that agency. In recent years, considerable Kenyan reluctance to this support has emerged. Thus, the Swedish advisors have been asked to concern themselves exclusively with those parts of rural water supply that receive Swedish financial support<sup>20</sup>. The failure of the water system to operate anywhere near the installed capacity severely increased the investment cost per unit of water actually supplied. Studies conducted between 1982 and 1984 revealed<sup>21</sup> that over one half of the schemes established under the rural water program operated very poorly. One half of the water produced was lost or unaccounted for. No more than 6 % of the entire rural population was being served. Typically, only a small fraction of the resident population covered by rural schemes could obtain water at communal points. All this is far below the original plans and expectations.

As noted, many of the water supply units were non-functional already at the time they were put to use. The Kenyan inability to provide funds for maintenance and operations led to a fast deterioration of the installations. The technology employed appears to have been way above the manpower and financial means of Kenya, if the purpose was to satisfy the needs of a majority of the rural population. The water that is supplied benefits in the main the richer population strata who could conceivably afford to finance their own water installations without public

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<sup>17</sup>Interview with S Makondiege, Deputy Chief Engineer in charge of operations and maintenance, Ministry of Water, Nairobi, Sept 1985.

<sup>18</sup>Interview with Rolf Winberg, SIDA Stockholm, June 1986.

<sup>19</sup>Samarbetsprogram med Kenya 1985/86-1986/87, SIDA, 1985.

<sup>20</sup>Interview with Lars Erik Lindgren, Swedish advisor to the Ministry of Water, Nairobi, September 1986.

<sup>21</sup>Summary of Recent Recommendations on the Rural Water Sector, SIDA, Nairobi, May 1985.

subsidies. This outcome is very different from the original Swedish intentions.

Many lessons, most of them negative, have been learnt in the process. Some of the more important ones are listed below:

The program as initially conceived, was clearly over-ambitious, both in terms of timing and coverage.

Full agreement between donor and recipient on all basic issues is exceedingly important for a successful outcome of an aid venture. Such agreement seems to have been lacking with regard to the population groups that were to benefit from the project. This in turn may explain, at least in part the weak impact of Sweden's technical assistance to the Ministry.

Special measures are often required to ensure the full access of poor population strata to subsidized public service facilities like water.

The division of responsibilities for execution of the water program was unclear. This contributed to the inefficiencies in implementation.

Insufficient consideration of the choice of technology and of the human and financial resources needed to maintain the installations, resulted in a rural water delivery structure that Kenya can ill afford without permanent donor support.

The shifts in thrust of SIDA's efforts around 1980 and in 1984, narrated above, are obviously a result of some of the negative experiences learnt by doing. But it is not evident that they reflect a systematic evaluation of alternative options and a choice of the one providing greatest promise for long run success.

### 3. Rural water in Tanzania

Swedish support to rural water in Tanzania started much earlier than that of other donors, and has played a very dominant role in the sector. From 1965, when the program began, and up to 1 July 1984, the overall disbursements of SEK 484 million represented 13% of total Swedish disbursements, and 48 % of the disbursements directed to agriculture and rural development. In the early 1970's, the Swedish contributions constituted about 80 % of overall resource use in the country for the purpose of rural water supply<sup>22</sup>. Until about 1977, Swedish commitments are assessed to have accounted for some two thirds of total foreign

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<sup>22</sup>Samarbetsprogram med Tanzania 1983/84-1984/85, SIDA 1983.

commitments to the sector<sup>23</sup>. In more recent years, the dominant position of Sweden has been reduced, as other donors expanded their involvements. As a result, Sweden's share of investments in rural water had declined to about a third of the total in the early 1980's<sup>24</sup>.

Until about 1972, the Swedish support had a very comprehensive coverage. It comprised personnel assistance, training, building and construction, material and equipment procurement and consultancy services. Perhaps more important than the technical contributions, Swedish thinking on how the sector should be developed appears to have played a critical role in the evolution of Tanzanian policies. The most crucial document in this respect is the Rimer report of 1970, prepared for the government of Tanzania by a Swedish consultant, and funded by SIDA<sup>25</sup>. The optimistic conclusions of this report<sup>26</sup>, along with the prospects for lavish Swedish support to the rural water sector, led the Tanzanian government to adopting a huge publicly financed program aimed at providing the entire rural population with free piped water by 1991. The political eagerness to get this program going was enhanced by the attractiveness of rural water supply as a carrot in promoting the national villagisation scheme that the government was launching at the time.

Beginning in 1972, a number of other donors started to join as supporters of the fast expanding rural water activities. At the instigation of the government, most of these efforts focused on specific regions adopted by the various donors. While the nationwide Swedish activities continued, the SIDA involvement assumed a dual character from the mid-1970's, because the Swedes too, selected to concentrate any expansion of their endeavors to three regions on the Victoria lake. By the early 1980's, most of Sweden's nationwide programs had been phased out, and the small national activities that remained were mainly directed towards training of technicians and water engineers<sup>27</sup>.

The achievements of the Swedish involvement in the nationwide water programs are hard to identify. This is because available reports do not specify the number of projects designed and constructed with the help of Swedish resources, or their capacity

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<sup>23</sup>WHO/World Bank Cooperative Program, Rural Water Supply Sector Study, 1977, Annex 7, p 80-81.

<sup>24</sup>Samarbetsprogram med Tanzania 1983/84-1984/85, SIDA 1983.

<sup>25</sup>O. Rimer, "Tanzania Rural Water Supply Development", Report prepared for the Tanzanian Ministry of Agriculture, April 1970.

<sup>26</sup>O. Therkildsen, Planning and Implementation of Basic Needs Activities: The Case of Donor Funded Rural Water Supplies in Tanzania, Draft, Copenhagen, June 1985.

<sup>27</sup>Samarbetsprogram med Tanzania 1985/86-1986/87, SIDA 1985.

to supply water. However, since Sweden has played such a dominant role in the water sector, the national level statistics that are available do provide a feel of the achievements and impacts.

It is clear that the ambitious Tanzanian plan to supply free water to the rural population within a 20-year period is not being accomplished. In 1984, only 38 % of the rural population is within reasonable distance to water facilities established under the aid-supported government program. However, only one half of these installations are functioning<sup>20</sup>, while another 20 % operate highly erratically<sup>21</sup>. Thus, after thirteen years, of implementation, less than 12 % of the rural population has access to reliable drinking water. Thus, the achievement constitutes only a fraction of the original plan. Some of the problems encountered in the plan implementation are discussed in the following paragraphs.

Very large efforts were undertaken over the years in the preparation of numerous national and regional water master plans. Until 1981, the budgets of the Ministry of Water had allocated \$ 26 million for the planning exercises<sup>22</sup>. Despite these expensive preparations, the activities finally adopted were technically inappropriate or misconceived, and inadequate consideration was devoted to the responsibility for operations and maintenance that would follow the investments financed by the donors.

A large proportion of the water supply installations consist of diesel-run piped water. These have proved inappropriate on both economic and technical grounds. Given Tanzania's long-lasting and severe current account deficit, the availability of diesel has been erratic over extended periods. Furthermore, there has been a severe deficiency of managerial and technical resources for servicing the installations. Substantial Swedish training efforts to build up such competences within the Water Ministry have proved inadequate, partly because many of those trained have been leaving, to satisfy the great need of qualified mechanics elsewhere.

In the 1980's a substantial boost was given to installing shallow wells which are operated by hand pumps. The technical difficulty with shallow wells is primarily due to their deficient water supply during normal dry seasons. Out of more than 3000 shallow wells established with assistance from the Netherlands and

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<sup>20</sup>Tanzania National Committee on Drinking Water Supply: Minutes of Meeting 25 April 1985 in Dar es Salaam.

<sup>21</sup>Samarbetsprogram med Tanzania 1983/84-1984/85, SIDA 1983.

<sup>22</sup>Interview with Roger Andersson, UNICEF, Dar es Salaam, Sept 1985.

Finland, barely more than one half were found to operate with reasonable reliability<sup>31</sup>.

Inability or unwillingness on the part of the government to provide funds for operations and maintenance costs is another major reason for the deficient functioning of the rural water supply system. Public financing of the operations of a nationwide rural water supply system would be a formidable task for the government, even if appropriate low-cost solutions had been chosen. The operating cost of the system actually established is clearly beyond the government's means. Deficient or even non-existent provisions for operations and maintenance constitute a major explanation for the malfunctioning of the system. A possible solution to this problem would be to involve local communities in the rural water supply activity, and to raise levies from the users. In fact, however local participation in the program has been conspicuously absent<sup>32</sup>. Through most of the period covered, the Swedish aid agency's stand has been that water should be a free good to the users. Only in the 1980's did SIDA reverse its position, after realizing that financial involvement of the local communities would encourage popular participation, and relieve the central government of the excessive financial burden for running the program<sup>33</sup>.

The anticipated health benefits from clean water have not been realized, because the erratic functioning of the water installations has necessitated intermittent use of traditional water sources. Furthermore, available evidence suggests that the main beneficiaries of the rural water schemes have been the relatively better off rural farmers, traders and civil servants<sup>34</sup>, contrary to both government and SIDA policies, which aimed at directing the benefits to the poorest strata in society.

The regional rural water development program launched by Sweden in the mid-1970's, went into the implementation stage only in 1984, after a very extended period of planning and groping. Given the recency of the startup phase, no achievements can yet be reported. The program includes rehabilitation of existing water installations. In addition, it has a pin-pointed geographical focus, aiming at individual villages in the regions chosen. Its contents feature a dominant water component, providing the selected villages with hand pump driven shallow wells, combined

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<sup>31</sup> Therkildsen, op. cit.

<sup>32</sup> Therkildsen, op. cit.

<sup>33</sup> Samarbetsprogram med Tanzania 1981/82-1983/84, SIDA 1981.

<sup>34</sup> Bureau of Resource Assessment and Centre for Development Research, Water Master Plans for Iringa, Ruvuma and Mbeya Regions, 1983, Vol 12, pp 6.19-6.20.

with community-development and health-related support<sup>39</sup>. It is not yet clear how these activities will be pursued. Like in the new programs in Kenya, there is an emphasis on local participation and involvement. An increasing weight is being attached to social scientists, e.g. sociologists and social anthropologists, in addition to engineers, in the technical assistance component of the program. An important objective is to keep recurrent expenditure budgets low enough to enable the local authorities eventually to take over the financial responsibility. The concept of the program is still being defined by a team consisting of representatives of district commissioners, SIDA and Hifab, a private Swedish firm of consulting engineers, hired by SIDA to manage central aspects of this endeavor<sup>40</sup>.

Given its severe malfunctioning, the donor-supported rural water development program in Tanzania must be deemed a failure. SIDA has to assume a substantial part of the responsibility for what evolved, on account of Sweden's early and wholesale engagements and initiatives in the program. SIDA's actions enthused the government into launching an unrealistic development program that the government was unable to operate.

Clearly, the Swedish rural water supply program did contribute to development by enhancing national economic activity during the investment stages, and by the provision of water to rural population from the installations that function. The failure of the program becomes apparent when these positive effects are juxtaposed with the huge costs per unit of water actually supplied, and with the strong likelihood of a continued degeneration of the supply system.

Some of the important lessons learnt through this endeavor can now be summarized:

The program was clearly overambitious in terms of timing and coverage

The donor should take care to ensure that the promise of aid does not enthuse the recipient into ventures that are above his financial means.

Before launching a project, one must be very careful in clarifying its recurrent cost implications, and in reaching a firm agreement on who is responsible for these costs.

Advanced technological solutions should not be launched without ensuring adequate supporting facilities.

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<sup>39</sup>Interview with Ingvar Andersson, SIDA's office in Dar es Salaam, Sept 1985.

<sup>40</sup>ibid: Interview with Rolf Winberg, SIDA Stockholm, June 1986.

A very wide popular participation in programs to provide public social services appears to be a crucial prerequisite for the success of such programs.

#### 4. Rural health in Kenya

Swedish aid activities in the health sector in Kenya started as early as 1969, involving family planning and related mother and child health care. Disbursements under the programs directed specifically to rural health started only in 1975. The earlier family planning programs were eventually merged into the more recent rural health activity. Total Swedish expenditures on rural health amounted to SEK 122 million from the program's initiation and until 1 July 1984. This was equal to 11 % of the entire Swedish aid flows to Kenya until mid-1984, and 21 % of the flows to the agricultural and rural development sectors.

SIDA's contributions have been very significant in relation to the overall health sector expenditure in Kenya. Between 1970/71 and 1983/84, Swedish aid corresponded to 11 % of the total development budget of the Ministry of Health. Between 1979 and 1987, Sweden's share of total foreign assistance to the entire health sector was 37 %<sup>37</sup>. In the period 1979/80-1981/82, the SIDA programs financed 25 % of the overall Kenyan expenditures for rural health<sup>38</sup>. In recent years, the relative importance of Sweden has declined as a result of the growing involvement of many other donors, including Denmark, Norway and the US.

Like in the case of rural water, the Swedish involvement in Kenya's rural health sector was preceded by an active persuasion of reluctant recipient authorities to give a greater emphasis to this activity<sup>39</sup>. Sweden's entry as a donor was directly related to the Kenyan government's decision in the mid-1970's to undertake a substantial expansion of budget allocations with an aim of improving the country's rural health conditions. The Swedish program has encompassed a variety of activities. The major expenditures up to mid-1984 include the following items:<sup>40</sup>

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<sup>37</sup>Information from Apollo Njonjo, Economic and Business Research Co Ltd, Nairobi, Sept 1985.

<sup>38</sup>Samarbetsprogram med Kenya 1981/82-1982/83, SIDA 1981.

<sup>39</sup>Interview with Bo Karlström, SIDA, June 1986.

<sup>40</sup>Support to the Health Sector in Kenya from 1969 up to 30 June 1984, disbursements, memo, Swedish Embassy, Nairobi, 29 August 1985.

	<u>SEK million</u>
Construction of two district hospitals, including equipment	33.0
Construction of health centers and dispensaries, including equipment	32.2
Family planning, contraceptives and training	16.5
Distribution of basic drugs	24.2
Technical assistance	6.4

The figures reveal that construction, rehabilitation and equipping of health institutions account for about one half of total resources expended under this program. The building activities have been governed by two Swedish decisions. In 1974, SIDA agreed to strengthening the rural health delivery system over the three year period 1974/75-1977/76, by building two district hospitals and by rehabilitating and reequipping a number of existing rural health centers. In 1978 there was a SIDA commitment to construct and equip 23 health centers and 3 dispensaries.

The building program experienced substantial difficulties, delays, and ensuing cost increases. Thus, in 1981, the two hospitals were not yet in operation due to personnel and equipping problems<sup>41</sup>. Even in 1983, the functioning of the hospitals was severely hampered by inadequate water and fuel supplies<sup>42</sup>. Out of the 27 rural health facilities, only 9 had been completed by 1984<sup>43</sup>, all of which were situated near Nairobi. After speeding up implementation, however, the number of completed rural health centers is reported to have increased to 16 by September 1985, with the intention to have all 27 units operational by mid-1986<sup>44</sup>.

Realizing that the rural health system was severely deficient in operations and maintenance funds, SIDA decided in 1981 to launch a program to distribute basic drugs to the rural health facilities<sup>45</sup>.

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<sup>41</sup>Samarbetsprogram med Kenya 1981/82-1982/83, SIDA 1981.

<sup>42</sup>Samarbetsprogram med Kenya 1983/84-1984/85, SIDA 1983.

<sup>43</sup>Samarbetsprogram med Kenya 1985/86-1986/87, SIDA 1985.

<sup>44</sup>Interview with Dr J Maneno, Assistant Director of Medical Services, Ministry of Health, Nairobi, Sept 1985.

<sup>45</sup>Samarbetsprogram med Kenya 1983/84-1984/85, SIDA 1983.

Family planning and mother/child health care have been central components of Swedish assistance since 1969, long before the rural-focused health activities started. Swedish support has been geared towards the training of medical and paramedical staff and extension personnel, development of information material, education programs, and technical assistance. For many years, SIDA has been the dominant supplier of contraceptives to the Kenyan family planning endeavors<sup>46</sup>.

More recent Swedish programs in rural health include the building and/or running of schools that train personnel for the medical sector. Thus a school for clinical officers and two for maintenance technicians are being built. SIDA also finances a variety of training programs for medical personnel and for administrators of the rural health system<sup>47</sup>. Since 1982, an experimental program aims at constructing four health centers by cheaper and simpler means than traditionally. A considerable portion of Swedish aid to the health sector in Kenya is provided through non-governmental organizations active in the rural health area<sup>48</sup>.

As should be apparent from the above, there has been a substantial shift over the 1980's in Sweden's rural health related activities from construction and hardware, towards the provision of necessary inputs, management and other software. The shift has been motivated by the emergent evidence that Kenya is unable to service and run the installed capacities.

An evaluation of the impact of Sweden's aid is complicated by the fact that it is fully integrated in the overall national effort, but constitutes a smaller part of the whole than the two water supply programs analyzed earlier in the chapter. Also, the reporting system has not been structured to provide specific insights on the contributions of this donor. Some comments can nevertheless be made.

To begin with, it is instructive to scrutinize some health related indicators and their change over time. In Table 7 below, the indicator values for Kenya are compared with the averages for Sub-Saharan Africa as a whole and, in anticipation of the following section, with the values for Tanzania. On most counts, the status and developments in Kenya come out quite positively in both comparisons.

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<sup>46</sup>Samarbetsprogram med Kenya 1985/86-1986/87, SIDA 1985.

<sup>47</sup>ibid.

<sup>48</sup>Interview with Inga Lagerman at the SIDA office in Nairobi, October 1985.

Table 7. Health related indicators for Sub-Saharan Africa, Kenya and Tanzania

	<u>Sub-Saharan Africa</u>	<u>Kenya</u>	<u>Tanzania</u>
Female life expectancy at birth, 1983, Years	49	59	52
Per cent change from 1965	+9	+16	+18
Infant mortality under 1 year, 1983, promille	119	81	97
Per cent change from 1965	-24	-35	-30
Population per nursing person, 1980	3148	550	3010
Per cent change from 1965	-32	-69	+43
Crude death rates 1983, promille	18	12	16
Per cent change from 1965	-18	-29	-27
Crude birth rates 1983, promille	47	55	50
Per cent change from 1965	-2	+8	+2

Source: World Bank, World Development Report 1985.

The fact that Kenya's health related indicators compare favorably with those of other countries does not say much about the efficiency of resource allocation in the health sector. A recent evaluation by SIDA concludes that "the rural health center and dispensary program and family planning support have been extremely inefficient." One indicator of inefficiency is the very slow execution of the Swedish-supported health sector construction program and the ensuing cost overruns. "Insufficient implementation planning, indicated by such as the absence of objectives and targets as well as an efficient monitoring system" are indicated as the main causes to the inefficiency<sup>47</sup>.

In retrospect, and at a more general level, one may question the appropriateness of the health delivery system that Swedish aid helped to establish. The creation of a referral delivery system originating in the dispensary, through the rural health center, the district and provincial hospitals and culminating with the Kenyatta National Hospital in Nairobi, makes theoretical sense, but in practice it is inoperable, because Kenya has not the resources to maintain and operate such an elaborate health structure. Furthermore, the standards of buildings and facilities

<sup>47</sup>SIDA, Evaluation of Swedish Assistance to Health Sector Development in Kenya 1969-1985, 1986/3, Part I.

established during the period under scrutiny, were set unsuitably high for the prevailing circumstances. SIDA may be right in its claim that the recipient insisted on excessively high quality standards. This should not surprise. Where the donor was footing the bill, it was rational to ask for the best that was available. But given its initiatives and very important role in the rural health endeavors, along with its insistence on direct involvement in execution, the aid agency cannot escape its responsibility for the inappropriate technological choices.

The results of these choices are now becoming apparent. For the system to function at all, the donors, with Denmark and Sweden in the vanguard, have had to involve themselves in a wholesale way in maintenance and operations support. Despite this effort, a recent survey concluded that 67 % of the rural health facilities were lacking in equipment essential for their operation<sup>20</sup>. The macroeconomic crisis plaguing Kenya in the early 1980's has obviously also contributed to the difficulties.

An indication that the system in process of establishment is beyond Kenyan means is that although so far only 30 % of Kenya's rural population has easy access (2 km or less) to rural health facilities<sup>21</sup> the system already suffers from heavy financial exhaustion. It is clear that inadequate attention has been given to a realistic appraisal of the health needs of the rural population, and to how these needs could be satisfied. With hindsight, both the Kenyan government and the donors seem to agree that a much simpler health system, directing its main attention to preventive, as opposed to curative medicine, would have had a higher development productivity in terms of survivals and health improvements. This is indeed a valuable lesson, but learning it has required a long time and involved a heavy cost in terms of inappropriately allocated resources.

As noted, Sweden played an early and dominant role in the family planning endeavor of the Kenyan health sector. Even though separate results of the ventures supported by Sweden are hard to obtain, the overall results of this activity have not been very encouraging. In 1985, after more than 15 years' work, only 13 % of Kenyan females in reproductive ages accept and use modern family planning methods<sup>22</sup>. Birth rates and population growth have continued to increase until the present, despite earlier anticipations of a substantial reduction by the early 1980's<sup>23</sup>.

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<sup>20</sup>Information from the Business & Economic Research CO Ltd, Nairobi, Sept 1985.

<sup>21</sup>Ministry of Health, Development Plan 1984-88, Nairobi August 1983.

<sup>22</sup>Information from interview with Inga Lagerman at SIDA's office in Nairobi, October 1985.

<sup>23</sup>Samarbetsprogram med Kenya 1976/77, SIDA 1976.

Contributing to these disappointing results is the Kenyan authorities' lukewarm interest in family planning over most of the period under scrutiny. Only in the most recent years has the government come out with a full fledged support for this activity. SIDA's long-standing insistence on family planning may have prepared the ground for the Kenyan change in attitude. If so, it may be the most important achievement so far of Sweden's involvement in this activity.

The major lessons learnt by SIDA through its involvement in Kenya's rural health sector endeavors include:

The construction part of this program, like the earlier ones described in this chapter, was clearly over-ambitious in terms of timing and coverage.

So long as the recipient authorities are uninterested in an activity pursued by a donor within an integrated nationally run program, the activity is unlikely to succeed. Changes in attitude, like the one of the Kenyan government about family planning may take a very long time to bring about.

Inadequate consideration was given to the design of a public health service structure appropriate for the Kenyan conditions. The health delivery system built up requires financial and human resources beyond Kenya's means, if the entire population is to be serviced.

Donor financing of operating and maintenance costs may be the most economical way of expanding aid funds when the recipient's inability or unwillingness to allocate adequate resources for these tasks threatens the viability of the aid-financed investments.

##### 5. Rural health in Tanzania

Sweden's involvement in the Tanzanian health sector has been relatively limited. The rural health endeavors which are discussed in the following, have absorbed nine tenths of total Swedish disbursements to the health sector, or SEK 81 million in the period from 1973 when the program started, to mid-1984. This corresponded to barely more than 2 % of the overall Swedish aid disbursements to Tanzania, and about 8 % of the Swedish allocations to agriculture and rural development. In the 1970's, the Swedish contributions accounted for about 3 % of the total Ministry of Health budget spending. Apart from Sweden, many other donors have been involved in the health sector. In the 1980's, assistance from Sweden has been dwarfed by that provided by Denmark and UNICEF. In distinction from the involvements described in earlier sections of this chapter, Swedish aid to rural health in Tanzania has played a relatively marginal role.

The major activity supported by Sweden under this program has been to construct and equip a large number of rural health centers. In the early-to-mid 1970's, the Tanzanian government decided to give a greater emphasis to the rural areas in its health sector development. This included a plan to construct some 300 rural health centers before 1980. SIDA agreed to contribute to this program by taking the responsibility for establishing 125 of these units, equipping them with necessary facilities, including transport vehicles, and erecting quarters for the personnel to be employed<sup>24</sup>.

This activity which has absorbed some 58 % of total Swedish rural health sector disbursements<sup>25</sup>, has encountered a number of difficulties. One problem has consisted in delayed execution. In a health sector inventory undertaken about 1980, it was shown that less than 200 of the total number of 300 planned health centers had been built. The costs of building had been several times higher than assumed in the original estimates<sup>26</sup>. In the wake of the economic crisis that struck the Tanzanian economy in the early 1980's, further national investments in expanded capacity have been slashed. By 1983, 40 of the 125 health centers built under Swedish auspices had not yet been completed<sup>27</sup>.

Another problem has been the perennial inability of the Ministry to provide sufficient resources for operating and maintaining the system that had been established. The inventory referred to above, concluded that already in the late 1970's, vast sums were needed for renovation and maintenance of the existing health centers, to rectify past maintenance neglect. By 1982, unavailable operations and maintenance funds had stranded more than 90 of the 130 vehicles delivered by Sweden between 1976 and 1980, thereby paralyzing the health centers' out-of-station services<sup>28</sup>. In the early 1980's, a number of the units lacked water, electricity or essential equipment like refrigerators. That they functioned at all was very much due to a massive joint effort by Denmark and UNICEF in providing the system with essential drugs<sup>29</sup>.

In distinction from the Danish aid agency, SIDA has assumed only very limited responsibilities for upgrading, maintaining and operating the system of rural health centers. But given the

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<sup>24</sup>Samarbetsprogram med Tanzania 1975/76, SIDA 1975.

<sup>25</sup>Joint Swedish-Tanzanian Health Sector Review, SIDA February 1984.

<sup>26</sup>Samarbetsprogram med Tanzania 1981/82-1982/83, SIDA 1981.

<sup>27</sup>Samarbetsprogram med Tanzania 1985/86-1986/87, SIDA 1985.

<sup>28</sup>Samarbetsprogram med Tanzania 1983/84-1984/85, SIDA 1983.

<sup>29</sup>Interview with Roger Andersson, UNICEF, Dar es Salaam, September 1983.

problems it experienced in monitoring its construction investments, a building inspector was made available by SIDA to the Ministry of Health in 1981, with the function of controlling the final stage of the remaining building program to which Sweden is committed.

Apart from the construction of the health centers, Sweden has also been involved in several small ancillary activities. For instance, over many years technical assistance has been provided to the Ministry to strengthen its planning function. For a long time, SIDA supplied several junior medical doctors to work with the rural health centers or other health institutions. Assistance was also granted for building medical student hostels, and undertaking health sector evaluation studies and health campaigns<sup>40</sup>.

A somewhat separate major Swedish contribution has consisted in very sizable support for the establishment of the Tanzania Food and Nutrition Center in 1974, and for its subsequent running<sup>41</sup>. About 30 % of total Swedish rural health sector disbursements have been expended on the Center. Over the initial five years, SIDA provided some technical assistance, and covered almost the entire operating cost of this institution. After 1979, the Swedish support declined to about half of the direct operating costs. While the Tanzanian government has been covering the other half, additional support from other donors was provided for specific projects run by the Center.

The Tanzania Food and Nutrition Center has devoted its efforts to a variety of tasks. Its first main objective was to survey the nutritional status of the country's population. Subsequent endeavors have involved research and ensuing advice to government on how to solve specific nutritional problems, as well as training and publicity programs to create awareness about nutritional issues. The Center has established for itself a considerable reputation both in Tanzania and internationally<sup>42</sup>, and its advice is valued and made use of by several government institutions, including the Ministries of Health, Agriculture and Transport. A somewhat unique feature for a research oriented institution with sophisticated personnel needs is that since many years, the Center is run almost exclusively with Tanzanian employees, and with only minimal expatriate inputs.

While Swedish support to the Tanzania Food and Nutrition Center is intended to continue, a decision was taken by SIDA in 1983 to

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<sup>40</sup>Report from a joint Swedish-Tanzanian Health Sector Review, February 1984.

<sup>41</sup>Interview with T N Maletniema, director at the Tanzania Food and Nutrition Center, Dar es Salaam, September 1985.

<sup>42</sup>Samarbetsprogram med Tanzania 1985/68-1986/87, SIDA 1985.

move out of its nationwide rural health support activities, upon completing the rural health center construction program<sup>43</sup>. As a result, after mid-1986, the SIDA involvements in rural health in Tanzania will be limited to a few appendages to the rural water program in three regions on the Victoria lake<sup>44</sup>.

The marginal size and close integration of SIDA's aid into the overall Tanzanian rural health programs complicates any attempts to isolate the development impact of Sweden's contributions. Judgments of the appropriateness or otherwise of the Swedish aid to this sector hinge importantly on the overall sector performance. Like in the case of Kenya, it may be instructive to study the status and progress of the key health related development indicators presented in table 7. In terms of life expectancy, infant mortality and crude death rates, Tanzania has recorded improvements that are much bigger than the corresponding for Sub-Saharan Africa as a whole, and about equal to those in Kenya. However, the status in Tanzania is lower than in Kenya, which is to be expected, given its lower per capita GDP level. In terms of nursing personnel, however, Tanzania appears to have experienced a considerable deterioration in the 15 years till 1980, in sharp contrast with the Kenyan developments.

The thrust of the Tanzanian health programs towards rural areas has been quite impressive. In 1971/72, only 20 % of total health spending went to rural areas, where most Tanzanians reside. In 1980/81, this proportion had more than doubled<sup>45</sup>. By the end of the 1970's, 70 % of the rural population had less than 5 kilometers distance to the nearest health institution<sup>46</sup>.

These achievements notwithstanding, the severe malfunctioning of the rural health institutions strongly suggests that the system is not affordable by the national economy. Given the smallness of Sweden's involvements in the sector, one can hardly blame Swedish influence on this inappropriate choice. But the development impact of what Sweden has done is obviously affected by the sector's deficient performance.

The smallness of SIDA's support of the operations of the health centers it constructed, is explained by SIDA by the fact that other donors were prepared to provide such support. SIDA's more recent decision to withdraw completely from national health sector activities has been motivated by this agency's administrative constraints, and an ensuing need to narrow down

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<sup>43</sup>Interview with Gunilla Essner, SIDA's office in Dar es Salaam, September 1985.

<sup>44</sup>See section 3 in this chapter.

<sup>45</sup>Ministry of Health, "Country Report on Tanzania", Dar es Salaam 1982.

<sup>46</sup>Samarbetsprogram med Tanzania 1985/86-1986/87, SIDA 1985.

the array of its sectoral involvements<sup>47</sup>. The Swedish endeavors are leaving behind a physical structure under decay along with valuable contributions to the training of medical and administrative personnel.

In contrast to the meager development impact from the major Swedish rural health endeavors, one must regard the support to the Tanzanian Food and Nutrition Center a considerable success, both in terms of institution building and of the value of the Center's programs in guiding the improvements of Tanzanian food and nutrition standards. A key factor explaining the success appears to have been the initial choice of the personnel that has managed the Center.

The experiences gained from SIDA's involvement in Tanzania's health sector are quite similar to those in Kenya:

The commitments to construct were overly ambitious.

The structure of a health system appropriate for the Tanzanian circumstances still remains to be designed. The structure actually established is too elaborate to be affordable by Tanzania.

The insufficiency of human and financial resources for operations and maintenance constitute a major problem. Even with substantial (non-Swedish) donor support, there is serious decay in the physical installations.

The experience of the Food and Nutrition Center point to the importance for successful institution building of great care in selecting individuals and of providing them with opportunities to take a long term view of their tasks.

#### 6. Land care in Kenya

Of the six projects/programs dealt with in this chapter, the present one is by far the smallest. Recorded expenditures amount to SEK 46 million, 4 % of total Swedish aid flows to Kenya up to mid-1984, and 8 % of the aid disbursements to agriculture and rural development.

Despite its limited expenditure, Sweden is said to play a very crucial role in the soil conservation program under scrutiny. The original adoption of this activity within the Ministry of Agriculture was due to Swedish initiatives<sup>48</sup>. Roughly one half of the expenditure of the Ministry of Agriculture for this purpose is covered by SIDA which is the sole donor at the

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<sup>47</sup>Interview with Kristina Regnell, SIDA Stockholm, June 1986.

<sup>48</sup>Interview with E Bimah, G Holmberg and I Sjöstrand, Soil Conservation Unit, Ministry of Agriculture, Nairobi October 1985.

national level<sup>67</sup>. However, the national program is supplemented by province-centered activities that form part of agricultural ventures supported by other donors<sup>70</sup>.

The entire land care program forms an integral part of the general agricultural extension services of the Ministry of Agriculture, and is run through the Soil Conservation Unit within that Ministry. The purpose of the program is to promote soil conservation measures like terracing, tree planting, building of cut-off drains etc, thereby preventing soil erosion in the densely populated hilly high-potential agricultural areas.

Soil conservation of this nature is extremely important for maintaining land fertility. It had been practiced in colonial times, but became politically disreputed at independence, because it came to be associated with colonial compulsion.

The Swedish involvement started on a small scale in 1974/75, through the provision of a soil conservation expert to the Ministry. A widened program was gradually conceived under his guidance. To implement this program, the Swedish contribution was substantially expanded from 1977/78, to include 3-4 experts as well as financial support to the Soil Conservation Unit established for the purpose of executing the program.

The activities have involved<sup>71</sup>:

- (a) experimentation with suitable soil conservation measures;
- (b) development of training and education material;
- (c) training of extension staff;
- (d) financial support for the provision of materials and equipment in implementing soil conservation;
- (e) establishment of nursing schools that provide seedlings to the participants in the program; and
- (f) actual field work with active participation from the farmers whose land is being improved.

The actual implementation involves extension workers from the Ministry visiting groups of farmers and persuading them to participate in the program. On the instruction from the extension workers, farmers then build terraces, plant grass and trees, establish cutoff drains, and undertake other measures on their land, required to conserve the soil. Simple tools are provided for free to the farmers under the program.

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<sup>67</sup>Interview with J K Gatheru, chief Agricultural Extension Services Division, Ministry of Agriculture, Nairobi September 1985.

<sup>70</sup>ibid.

<sup>71</sup>Samarbetsprogram med Kenya 1981/82-1982/83, SIDA 1981.

The physical results of the activity have been quite impressive. According to Ministry reports, 365,000 farms have been cared for by December 1984. This is assessed to be about one half of all farms requiring soil conservation measures<sup>72</sup>. Two recent studies of the soil conservation program in selected districts<sup>73</sup> provide some tentative insights into the program's operation. Thus, the acceptance to participate seems to be very widespread. Up to 80 % of the land holders in the areas studied initiated the soil conservation measures, but only some 60 % completed the terracing work. However, only one third of the farmers had maintained their terraces properly a few years after their initial involvement in this activity. Although a positive net yield to the households participating in soil conservation is clearly confirmed, the studies note that the farmers who actually adopted the measures were drawn predominantly from among the better-off segments of the communities. The studies suggest that some of the poorer land-holders had problems in contributing the cash payments or labor inputs required under the program.

The land care program has addressed a crucial developmental issue, for if no action had been taken, the country would have risked losing a large part of its agricultural potential. The results of the program so far stand out as highly successful, especially when they are compared with the results of SIDA's involvements in rural water and rural health in Kenya, two other endeavors of great importance for economic and social development.

An overall assessment must also consider a few doubts and question marks surrounding this relatively new activity.

One doubt concerns the ability of the land care program to stand on its own feet if and when Sweden decides to discontinue its support. Since the financial contributions from Sweden have been limited, and their import component is small, there should not be a great difficulty for the Kenyan government to take over. The substantial technical assistance component provided ought also to be substitutable for national resource inputs, given the relatively simple and straightforward technology of the program. In any case, there have been indications that Sweden is likely to continue its support until most of the farm units requiring soil conservation measures have been covered.

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<sup>72</sup>Information from Dag Skoog, SIDA's office in Nairobi, October 1985. Also see Soil Conservation Project Semiannual Report July-Dec 1984, Ministry of Agriculture, Nairobi.

<sup>73</sup>L Hedfors, "Evaluation and Economic Appraisal of Soil Conservation in a Pilot Area", Ministry of Agriculture, Nairobi 1981; and "Evaluation and Economical Appraisal of Soil Conservation in Kalia Sub-location, Kitui District", Ministry of Agriculture, Nairobi, Draft 1985.

Another doubt concerns the recurrent features of the program. To avoid decay of the terracing and planting arrangements, there must be a program of recurrent visits to each farm by extension workers, and efforts to induce the farmers to maintain the conserving installations. The evidence quoted above, suggesting that up to two thirds of the farmers under the program did not maintain the terraces, is an indication of the continuity of efforts needed to achieve a lasting impact.

The relative success of this project appears to rest on four factors which distinguish soil conservation from the other SIDA activities in Kenya, surveyed in this study:

The first factor is that the project had a slow start. In distinction from the head-on rush into rural water and rural health, it evolved gradually, after careful consideration of possible alternative options.

The second factor is the relative simplicity, in approach and adjustment to local circumstances and capabilities in designing the execution of the program. Hardly any heavy machinery is used. The work is very labor intensive, and the tools provided through the program in no way represent an alien technical culture to the farmers who use them.

The third factor, crucial to the program's success is the voluntary, popular participation by local communities in its implementation. A key precondition for the popular participation, in turn, is that the participants clearly see the private benefits that they can reap through their involvement.

The fourth factor explaining the relative success of soil conservation is the determined political support that this activity has obtained from the highest political quarters in the country. Kenya's President has expressed himself strongly in favor of the program, and has instituted the Permanent Presidential Commission on Soil Conservation, with wide powers to cut through any hurdles in the government bureaucracy that may restrain this activity<sup>74</sup>.

## 7. Forest development in Tanzania

The forest activities dealt with here include industrial forest planting and care, sawmilling and related activities, and village afforestation. They do not include the large scale pulp and paper industry at Mufindi, to which Sweden has made a substantial financial contribution.

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<sup>74</sup>Interview with C R J Nyaga, adviser to the Permanent Presidential Commission on Soil Conservation, Nairobi October 1985.

Sweden's aid to Tanzania's forestry sector began in 1969. By mid-1984, a total of SEK 206 million had been expended, corresponding to 5 % of the overall Swedish aid disbursements, and 20 % of total support to agriculture and rural development. Sweden's contributions have accounted for a major proportion of the Tanzanian development budgets for the forestry sector. Over long periods of time, SIDA provided up to two thirds of the total<sup>79</sup>, and on occasion as much as 90 %<sup>78</sup>. More recently, Finland, the World Bank and Germany have also made important contributions, leaving the Tanzanian share of the total at no more than 3-5 % in some years.

The crucial problem related to forestry in Tanzania is a speedy deforestation. The country is estimated to have 44 million hectares under forest. The annual wood production that this forest can sustain has been assessed at about 20 million cubic meters. However, total wood consumption is about 40 million meters per year. More than 95 % of this total is for fuel purposes<sup>77</sup>.

While overall wood consumption vastly exceeds the productive capacity of Tanzania's forests, there is a huge excess capacity in logs and pulpwood. These raw materials are obtained from two sources. First, there are 10 million hectares of forest reserves, with an annual sustainable output capacity of 5 million cubic meters of logs, and an equal amount of pulpwood. In addition, roughly 80,000 hectares of industrial forest plantations provide for a possible annual yield of 400,000 cubic meters each of logs and pulpwood<sup>79</sup>. Forest reserves and plantations are not intended to be a source of fuel wood supply; in practice, a substantial take for this purpose cannot be avoided.

Demand for logs is determined by the requirements of saw mills. These are assessed in 1985 at 500,000 cubic meters, of which 150,000 meters are satisfied from plantations. Requirements of pulpwood will reach 300,000 cubic meters when the Mufindi Pulp and Paper project becomes fully operational<sup>77</sup>. The figures indicate that Tanzanian industrial demand for logs and pulpwood constitutes only a small fraction of the annual capacity of forest supply. This is particularly true of forest plantations. Even after the Mufindi Pulp and Paper and Sawmill industries

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<sup>79</sup>Samarbetsprogram med Tanzania 1981/82-1983/84, SIDA 1981.

<sup>78</sup>Joint Tanzanian-Swedish Review Mission in the Forest Sector, Dar es Salaam 1980.

<sup>77</sup>Interview with Arnold Ahlbeck, Forest Division, Ministry of Lands, Natural Resources and Tourism, Dar es Salaam, September 1985.

<sup>78</sup>ibid.

<sup>79</sup>ibid.

reach their full capacity utilization in the late 1980's, the production potential of plantations will be utilized only in small part.

Throughout the period covered by the present study, a minor share of Swedish aid to the forestry sector has been expended on training programs and institutional support for the benefit of the Forest Division in the Ministry of Lands and of the Tanzania Wood Industries Corporation, TWICO, a parastatal holding company for a number of forest processing industries, mainly saw mills. The remaining major share of Swedish allocations to the forest sector has experienced two fundamental shifts in the course of the 1970's<sup>99</sup>.

Until about 1976, most of the Swedish resources were employed to maintain and expand forest plantations. SIDA's activities financed the establishment of some 20,000 hectares, i.e. 25 % of the present stock.

After realizing in the mid-1970's, that the plantations' production capacity vastly exceeded the capacity of forest processing industries, the SIDA-efforts to expand the areas planted were discontinued, and were replaced by a program to assist TWICO in the establishment of mobile sawmills, in an effort to increase the utilization of the plantation resources. Support for maintenance of plantations remained.

From about 1980, village afforestation became an additional important component in the Swedish support of Tanzania's forestry. The primary aim of this program is to help in increasing the supply of fuel wood in rural areas. Apart from technical assistance to the village afforestation activities in the Forest Division, the Swedish contributions have been used to finance nurseries, production or imports of plastic tubes for the seedlings, and the campaigns aimed at persuading the rural population to plant trees. Within the village afforestation activity, Sweden has also supported the Hado project, involving intensive efforts that combine village afforestation and soil conservation in selected districts with arid climate.

In the 1980's, SIDA has regarded the village afforestation activity as the most important component in its support to the forest sector, and has consequently made attempts to shift a major share of the sectoral disbursements to this activity<sup>91</sup>. The results have been somewhat slow in coming. The envisaged

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<sup>99</sup>The sources to the following three paragraphs include Samarbetsprogram med Tanzania, several issues, SIDA; interviews with F. M. Mtzawa, Director and Arnold Ahlbeck, expert, Forestry Division, Dar es Salaam; and with Roland Öqvist, SIDA's office in Dar es Salaam. The interviews were carried out in September 1985.

<sup>91</sup>Samarbetsprogram med Tanzania 1981/82-1983/84, SIDA 1981.

expenditure for the four-year period 1985/86-1988/89 allocates 42 % to plantations and related forest industries, 29 % to institutional support to TWICO and the Ministry, and no more than 29 % to village afforestation<sup>92</sup>

Has the Swedish forest-related aid to Tanzania contributed productively to the country's economic and social development? As in earlier cases, it is not easy to isolate SIDA's specific role in a program where Swedish contributions have been integrated into the overall Tanzanian endeavor. Given the very large share of the Swedish contributions in the totals expended, it is reasonable to formulate comments on the basis of the overall sectoral performance.

In scrutinizing the forestry sector aid, one may constructively look at each of its major components in turn.

The first component of the program, i.e. the work to expand Tanzania's forest plantations, would not have been initiated at all, if it had been preceded by an analysis of the demand for wood and a more complete investigation of the biology of the plantations. Only in the latter half of the 1970's was it realized in SIDA that trees in the plantations don't live much beyond 30 years, and have to be harvested at that age, if waste is to be avoided. The need to cut, in turn, revealed the very limited industrial demand for wood in the country.

The second component was much more productive in that it tried to rectify the growing imbalance between the supply and demand for sawmill wood. Until 1985, SIDA has financed the establishment of 11 mobile saw mills, each with an annual capacity of 1000-2000 cubic meters, adding appreciably to the national sawmill capacity, and thereby to the demand for logs. Prevailing prices for sawwood products in the country suggest that the demand for these products is far from being saturated<sup>93</sup>. The mobility, small capacity, simple technology and labor intensity of the saw mills makes them very appropriate for the conditions in Tanzania's plantations<sup>94</sup>.

The third component in Sweden's aid to Tanzania's forest sector, the long-lasting technical assistance to the Forest Division in the Ministry of Lands, and to TWICO, though hard to evaluate, has been less than entirely successful. The impact of the expatriate presence in the Ministry is not clearly discernible. And TWICO was a perennial loss-maker, despite its near-monopoly position,

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<sup>92</sup>Samarbetsprogram med Tanzania 1985/86-1986/87, SIDA 1985.

<sup>93</sup>Interview with Erik Wickström, Head of Planning, TWICO, Dar es Salaam, September 1985.

<sup>94</sup>Interview with J N Mushi, General Manager TWICO, Dar es Salaam, September 1985.

the excess demand for most of its products, and the many managerial reorganization plans brought out by the expatriate advisers provided by SIDA. Beginning in 1983, TWICO is becoming increasingly profitable. The turnaround was not associate with the technical assistance this corporation has been receiving. Instead, it was the result of the toughness and business orientation of the new Tanzanian management that was appointed by Tanzania's President in 1981, with a mandate to slash unprofitable units and redundant labor, and to pinpoint managerial responsibilities, with sanctions and rewards related to performance.

The village afforestation program, finally, is addressing an extremely important task in national development, of direct relevance to the majority of the poor. It is too early in the program to make pronouncements about its likely development impact. What is worrying is the head-on rush into this activity by the Tanzanian authorities and their Swedish supporters, after village afforestation became politically fashionable about 1980. It would have been worthwhile to devote more time and effort to the design stage of the village afforestation endeavor. Current doubts include the biological appropriateness of the program<sup>65</sup>. Considerable uncertainty remains about the suitability of the species being propagated for the specific micro-climates in different parts of the country. There may be a backlash for the program, if the trees don't thrive. Some aspects of the program's logistics function deficiently. For instance, seedlings are supplied from large nurseries over extended distances, rather than from local village nurseries. A reduced managerial intensity in the program is an obvious advantage in this centralization. However, timely deliveries, crucial to successful planting, cannot be assured, because of unreliable transport facilities. A major share of the seedlings are planted on collective village plots, but the survival rates there are assessed at 0-40 % in contrast with individual plots, where 50-90 % survive<sup>66</sup>. Widespread political campaigns, financially supported by Sweden, have been used to persuade (or mildly coerce) the farmers to get involved in the communal afforestation programs. A recent study shows how, in many cases, the farmers exposed to such coercion, have gone along with the politicians, but since they lacked conviction, their effort was insufficient to permit the seedlings to survive<sup>67</sup>. This might explain the low survival rates on communal plots, just quoted. The future of the village

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<sup>65</sup>Interview with John Holmes, Operations Specialist, TWICO, Dar es Salaam, September 1985.

<sup>66</sup>Samarbetsprogram med Tanzania 1985/86-1986/87, SIDA 1985.

<sup>67</sup>M McCall Shutsch, Why People Don't Plant Trees: The Socioeconomic Impacts of Existing Woodfuel Programs: Village Case Studies, Tanzania, Discussion Paper D-73P, Resources for the Future, March 1983.

afforestation activities in Tanzania will be in serious doubt, if the farmer attitudes revealed in the study are representative. One could argue that the issues raised in this paragraph, are Tanzanian initiatives that cannot be blamed on SIDA. But then, given that the Swedish aid agency provides a major share of the finance that enables running the program, it cannot escape responsibility for the way the program is carried out.

The two major lessons from Sweden's forest sector experience in Tanzania appear to be (a) the extreme importance of demand analysis before launching new ventures; and (b) the danger of launching politically fashionable crash programs, and the advisability of proceeding slowly and gradually, taking into account the experiences gained on the way.

Africa5

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## Chapter 5. THE DEVELOPMENT IMPACT OF SWEDEN'S AID TO KENYA AND TANZANIA

This chapter is organized as follows. The first section discusses the concepts, methods and problems in measuring aid achievements. The appropriateness of the Swedish aid allocations among sectors and major types of aid is then analyzed. There follows a scrutiny of the problems encountered in the execution of these aid programs. The record of achievements in terms of outputs resulting from the aid flows, is then juxtaposed against the costs to obtain these outputs. A variety of possible macro-level distortions caused by the aid flows is focus of the present study is then discussed. A final section surveys the experiences and lessons learnt by the Swedish donor from his involvements in the aid process in Kenya and Tanzania.

1. The measurement of aid achievements

Given the Swedish set of goals for aid, and their application as described in chapter 3, the achievements of aid will be primarily considered in terms of actual and potential additional income generated by the aid activity, with a very heavy weight attached to the portion of that income accruing to the poor population strata. Actual additional income can in principle be derived by assigning values to the current service flow that is made possible by the aid activity. To get a grip on potential additional income, one must study the role of aid in physical and human capital formation including learning, and in the establishment of institutions and encouragement of policies that permit efficient utilization of that capital. One must also consider the sustainability of the capital and institutions after the aid flow has been discontinued. Given the importance attached by the Swedish donor to equity issues, an assessment must clarify to whom this additional income accrues, and assign a higher value to that part of the income increment which accrues to poorer population strata.

Since aid constitutes a limited resource, it is necessary to relate achievements to the aid resources expended. Efficiency in aid requires that a given achievement is accomplished with the minimum of aid resources. This suggests that a benefit-cost analysis approach can be a valuable tool in aid evaluation.

A disappointing result of an aid project evaluated with the help of benefit-cost analysis may be due either to inefficient execution or to the inherent nature of the project. This distinction is important. Execution standards can as a rule be improved to the extent of eliminating the disappointment. If, on

the other hand, the basic project design is wrong, rectification will require that the effort is started all over from scratch.

A crucial issue is what standards to apply when drawing the line between satisfactory and unsatisfactory project results. Project plans may provide a benchmark, since supposedly, the decision to launch a project is ordinarily taken only after an ex ante evaluation has shown that it passes a set of prescribed criteria. But then, it may be, of course, that few projects pass the satisfactory mark ex post, because the ex ante requirements were overambitious. A benchmark rate of return on capital invested has often been used for project categorization. For instance, a recent World Bank study has classified projects with less than a 10 % rate of return as failures<sup>1</sup>. In the Swedish projects under scrutiny, the data from which such figures could be derived, are not available.

While benefit-cost analysis is useful for structured and systematic approaches to aid evaluation, its shortcomings for the purpose at hand must be spelled out. The first is that benefit-cost exercises rely heavily on quantitative data that may be hard to obtain in many aid projects. For instance, assigning values to the output from public social service facilities like the ones established with the help of Swedish aid is marred by both conceptual and practical difficulties. The second is that this analytical tool is somewhat static. Hence, it may tend to neglect dynamic consequences of projects, e.g. institution building or learning, whose full impact will be appreciated only in the more distant future. Furthermore, benefit-cost analysis focuses on the micro-level. This may create little problem for activities that are small in relation to the national economy. For large scale endeavors in basically disequilibrium economies like Kenya and Tanzania, however, this analytical tool can easily miss out on important external effects and other macro-economic implications that may follow from such endeavors<sup>2</sup>.

An investigation of the macroeconomic circumstances into which aid projects are implanted is therefore a very important complement to micro-oriented benefit-cost studies. Such an investigation can render useful insights about the appropriateness or otherwise of specific aid ventures in a wider context, and about important external effects that may arise from them. But given the deficiency of data, the incomplete grasp of existing macroeconomic relationships, and the many actors who influence the macroeconomy all at the same time, it is hardly meaningful to try to quantify the development impact of Sweden's aid beyond the micro-level. Instead, this chapter attempts to

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<sup>1</sup>C Jones, "A Review of World Bank Agricultural Assistance to Six African Countries", May 1985, p 50.

<sup>2</sup>See T Scitovsky, 'Two Concepts of External Economies', Journal of Political Economy, April 1954.

draw qualitative inferences about the macro-implications of the Swedish involvements, first by scrutinizing the allocation of Sweden's aid among sectors, and second by analyzing the possible macroeconomic distortions caused by aid.

## 2. Allocation of aid to specific purposes

The discussion in chapter 3 tried to clarify the processes through which the allocation of Swedish aid in the two recipient countries was determined. The point at issue in the present context is the appropriateness of this allocation in terms of the development productivity of aid.

The surveys of Swedish projects/programs contained in chapter 4 brought out one clear-cut instance of inappropriate allocation. That was the effort to expand forest plantations while the capacity of the forest industries was inadequate to absorb the plantations' output.

In the other cases, definite verdicts cannot be formulated. In principle, an optimal allocation of Swedish aid resources would have required a firm macro-economic framework within which the development impact of alternative activities could be assessed. The absence of such a framework in Swedish aid planning suggests that allocation may have been suboptimal. One should add that in practice, even a firm grasp of the macro-economic circumstances of the recipient economy is no guarantee for optimal allocation of aid resources.

Two striking allocational features stand out when the Swedish aid flows to Kenya and Tanzania are scrutinized. The first is the very heavy emphasis on subsidized public services in the overall programs. The second is the great importance of standard activities, and in particular of construction, as distinct from innovative activities. Innovative aid is defined as ventures which aim at the establishment and use of new technical, administrative, institutional or other relevant knowledge, especially adapted to resolving existing constraints to development in the recipient environment.

Subsidized public services can have very important roles in improving rural health standards and enhancing productive capacities, in the agricultural sectors of poor countries. Such services, if appropriately organized, also have the potential of improving equity. Expectations of this nature, based on experiences from Sweden, motivated SIDA's involvement in rural water and rural health in Kenya and Tanzania. In retrospect one can note that these expectations were disappointed. Problems in execution along with inappropriate project designs, but also the economic crises that struck the two recipients in the 1980's, have severely constrained the impact of these projects in terms of income generation and equity.

It is possible that a donor devoting greater attention to the macroeconomic circumstances of the recipients could have avoided some of the problems, for instance by developing more appropriate project designs. More penetrating ex ante macro-level analyses would have revealed that the proposed project technologies were unsuitable given the limited availability of skilled manpower, and that the recurrent costs of the programs being launched would absorb an unreasonably large share of feasible future public budget revenues. It is also possible that such a donor would have been more perceptive of the developments that led to the crippling balance of payments crises in the two countries in the 1980's, and so more prone to reallocate some of his aid flows in favor of directly productive, export oriented activities. The very heavy emphasis in Sweden's aid on equity and other social concerns may have reduced such perceptiveness.

With few exceptions, like the Tanzania Food and Nutrition Centre the innovative content in the Swedish resource contributions is small. As noted, most of the money has been spent on straightforward construction. The technical assistance provided has in the main been concerned with the transfer of standard professional competences and organizational or administrative knowhow by experts on short run contracts.

A greater emphasis on innovative activities with catalytic functions might have increased the impact of the Swedish programs on agricultural output and rural income generation. The research centers financed by the Rockefeller and Ford Foundations, in which the high-productive strains of wheat and rice were first developed, come to mind as examples. A forest research institute adapted to the climatic conditions of Kenya and Tanzania might have suited the competences of Sweden. Long run efforts to develop concepts and technologies adapted to Kenya and Tanzania for rural health and rural water delivery systems provide other areas for useful efforts that could suitably be launched within the Swedish aid programs. Simplicity and cheapness, especially in operations, would be the essence of innovation, in designing the systems. Launching such activities would require much more careful research and study of the recipient societies, than has in fact taken place under Sweden's aid programs. For maximum effectiveness, the core personnel provided by SIDA would probably have to commit a large part of their career to such tasks. Short run contracts, running for a few years would as a rule be quite unsuitable in the pursuit of innovation aid.

### 3. The problems in execution

The pace and standards of execution of the sizable construction programs financed by Sweden's aid have caused disappointments. The long delays, the large scale cost overruns but also the deficient quality of the facilities delivered (e.g. rural water installations in Kenya) were noted in the preceding chapter. Many other aid programs in Africa have been subject to similar

disappointments. Exaggerated Swedish ambitions caused by a limited experience of the logistics of the recipient country environment provide an important explanation to the disappointments. The planned pace of execution was simply set at an unrealistically high level.

A further reason for the frequent delays and deficient standards in some cases in project implementation is the blurred responsibility for aid execution. In the early days of Sweden's aid, the donor's role was seen to provide the recipient with a complete facility in operating order. As time went on, the responsibility for execution was shifted to the recipient on the ground that he would gain valuable experiences from learning by doing. However, a Swedish perception, whether imaginary or real, of inadequacies in the recipient's execution capabilities, has in effect resulted in a dual control. The formal responsibility is usually vested in the recipient ministry, but Swedish experts attached to that ministry at the central or local level, as well as SIDA itself, are commonly assuming important executing and control functions.

It can reasonably be conjectured that the executing efficiency would have been higher with a more clear-cut assignment of responsibility to either SIDA or the recipient government. However, a return to the practice where the donor delivers turnkey projects has been considered inappropriate, because then the purported benefit of the recipient involvement and learning would be lost. At the same time, a transfer of all responsibility for aid execution to the recipient is considered undesirable on two grounds. First, Swedish involvement in implementation is seen as necessary to provide a sufficiently detailed account on what is going on, to the Swedish electorate that ultimately has to foot the bill. And second, a strong Swedish presence is regarded as an indispensable prerequisite to assure reasonable performance standards. Interviews with SIDA-personnel in Kenya and Tanzania revealed the view that the recipient country authorities and institutions are so inefficient and their bureaucracy so crippling, that a very serious deterioration in the productivity of aid would ensue if the entire responsibility for project implementation and project operation were handed over to the recipient country.

The reluctance to assign clear responsibilities for execution to either the donor or the recipient can be challenged. Especially in the case of technically complex aid endeavors, the economic gain in terms of speed and efficiency in execution could more than outweigh the benefit of learning through involvement in execution.

In technically less complex endeavors, the arguments against vesting the real execution responsibility with the recipient do not sound entirely convincing. There are surely other means than involvement in execution, through which the Swedish electorate

can be informed about what is going on. And if it were true that direct donor involvement in execution makes a great difference, then one should be able to notice a much inferior performance in those parts of the economy of Kenya and Tanzania that do not receive aid, e.g. the postal services or road transport. In fact no such difference is noticeable. Furthermore, over the period between 1970 and 1982, aid has financed, on average, only 21 % of the investment expenditures in Kenya and 46 % in Tanzania<sup>2</sup>, with a rising trend in both countries over time. If the donor claim were true, then the majority of investments in both countries should have yielded very little return in terms of growth and development, thereby significantly reducing the overall economic performance in the two countries. In fact, the incremental capital output ratio, ICOR, (gross investment ratio over GNP growth rate) works out at an average of 4.5 in Kenya and 5.4 in Tanzania over the 12-year period. These figures are in no way exceptional. The ICOR for the entire developing world works out at 5.0 for the period under scrutiny, while for industrialized countries it is as high as 8.0, indicating, as expected, a lower return to capital investment in terms of growth, in heavily capitalized economies.

On this evidence, it is hard to maintain the donor claim about general inefficiency of recipient institutions in tasks of project implementation or project operation. Like executing donor agencies, however, these recipient institutions have to grapple with a policy environment that often provides distorted economic signals, and is deficient with regard to infrastructural facilities, and this clearly reduces the efficiency of execution below the standards that are common in industrialized countries.

#### 4. The achievements and costs of aid

The Swedish aid endeavors have indeed contributed to physical capital formation. The installations to supply water in rural areas, the facilities to store agricultural products, and the structures that prevent soil erosion, or that house rural health centers and educational institutions, provide ample evidence. Similarly, the multitude of training programs for medical staff, water engineers, forest technicians and many other professions, financed by Swedish aid, must have given rise to substantial human capital formation, even though this is less easily observed than the physical structures.

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<sup>2</sup>The sources to all the figures in this paragraph include the Development Assistance Committee Annual Review, several issues, OECD; the Yearbook of National Accounts Statistics, several issues, United Nations; the World Bank Atlas, several issues; the World Development Report 1984, World Bank; and the World Bank Annual Report 1983.

The contribution of Sweden's aid to the establishment of institutions and policies that make the utilization of physical and human capital more efficient and so add to the generation of income, is less clear.

The Tanzania Food and Nutrition Center, and the Soil Conservation Unit in the Kenyan Ministry of Agriculture are admirable examples of useful institution building in which Swedish aid has had a crucial part.

In contrast, the impact of the heavy Swedish manpower inputs in the ministries of water and health in both countries is less evident. In a longer-term perspective, there is probably a relationship between the conceptual soundness of an aid project and the impact of the technical assistance provided in its support. The conceptual problems of the water and health activities (see chapter 4) probably provide part of the explanation for the weaker performance of technical assistance in these fields. The commitment of the recipient government to the task at hand is another crucial prerequisite for success. This may explain the differential performance of Swedish technical assistance support to the land care program in Kenya on the one hand, and, again, to the water and health programs in the same country, on the other. The relatively short contract periods of Swedish personnel have in some cases led to problems of discontinuity in the technical assistance endeavors. In the 1980's, apprehension is being voiced in some cases by the host organizations about the programs. Several of them are being scaled down or dismantled.

Throughout the period surveyed by the present study, Sweden has adopted a very soft and non-interventionist stand with regard to recipient country policies. This may be due to the Swedish view coloring certain aspects of its assistance through the 1970's, that recipients of aid should have freedom in determining its use, without donor intervention at the broader policy level.

The one clear-cut example of conscious and direct Swedish attempts to interfere in recipient country policy making has been the long-standing and confusing quarrel with the Kenyan government about rural water tariffs. This was described in the preceding chapter. At a very high level of generality, a Swedish policy influence has been noted behind the decisions in both Kenya and Tanzania to launch large scale rural water supply programs, and behind the overambitious pace at which the Tanzanian program was to be implemented.

SIDA has not made any overt efforts to bring about policy change in areas of importance to agricultural output, like exchange rates, or agricultural pricing and marketing, where serious policy-induced distortions have been common. Only in the most recent years, in consequence of the economic crisis, has the Swedish aid agency started to question crucial policies of this

kind, especially in Tanzania (see chapter 7). Until then, however, one can fairly claim that Sweden has abstained from imposing its will on the recipients in terms of broader, macro-oriented policy issues.

Sweden's reluctance to impose broad policy conditionality on its aid to Kenya and Tanzania has had both practical and ideological grounds. At the practical level, imposition of different (sometimes mutually inconsistent) conditions by many donors was felt to be improper, because the recipient governments could hardly satisfy them all. At the ideological level, broad policy conditionality was regarded as an undesirable infringement on the recipient's sovereignty. In addition, SIDA along with other Nordic donors was hesitant to "gang up" behind the World Bank, IMF and the "hardliners" among bilateral donors believed to be excessively focused on economic efficiency, because of a fear that it might become hostage to policy recommendations by a majority of the "gang" contrary to its equity concerns.

In the 1980's, Sweden has played an active role in trying to bridge the gap between Tanzania's government on the one hand, and the World Bank and the IMF on the other. A former President of SIDA was appointed in 1981 as coordinator of a team to help the government in formulating a structural adjustment program that could constitute the basis for additional lending by the two international bodies<sup>4</sup>. In the end, the program adopted by the government of Tanzania in 1982, was not far-reaching enough, nor sufficiently energetically implemented, to attract additional World Bank and IMF funding.

When it became apparent that policy reform in Tanzania was a crucial precondition to prevent SIDA's aid program from grinding to a halt, the Swedish aid agency chose to present its views not in the form of strict conditions for the continuation of aid, but rather in a symposium convened in 1984 by the Nordic donors in Tanzania<sup>5</sup>. As the Tanzanian crisis deepened towards the mid-1980's, the Swedish aid policy makers' understanding of and accommodation with the "hardliners" improved. In fact, the major purpose of the symposium was to impress on the Tanzanian government the importance of complying with the conditions imposed by the IMF under the prevailing circumstances.

The flow of goods and services from the capital created by Swedish aid, has not been impressively large in relation to the structures that were established. In the major programs surveyed, rural water and rural health, the physical capital stock is under

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<sup>4</sup>Interview with Ernst Michanek, Stockholm, July 1986.

<sup>5</sup>G Edgren, "The Changing Aid Relationship: Terms, Conditions and Working Methods", draft contribution to a forthcoming volume entitled Swedish Development Aid in Perspective, June 1986.

serious decay, and the capacity utilization is quite low. SIDA's reaction to deficiencies like these has been late and slow.

The income generation due to Swedish aid efforts is certainly positive. Undoubtedly, the rural water and rural health services that are being provided, constitute an implicit income flow to the recipients. But the additional income due to aid is hard to quantify. For some of the activities surveyed, e.g. lard care in Kenya or mobile saw mills in Tanzania, a study of farmer and labor income and return on capital could give a measure of the additional income generation. For rural water and rural health however, measuring additional income is quite tricky, given the uncertain value of the services generated.

There must clearly be a link between production and income generation. And if the former is unimpressive in relation to the production capacity, the same must be true of the latter.

The Swedish aid endeavors in focus of the present study were designed to have a distinct low-income profile. One would therefore expect that a major share of the additional income flow that they generated has accrued to the lower-income population strata, improving equity as a result. In some cases, distortions from these intentions are known to have taken place. The most clear-cut example is the Kenyan rural water supply program, whose benefits have been reaped in the main by the rich farmers who could afford individual water connections.

The preceding paragraphs pointed to the problems in assessing achievements. The difficulty in quantifying costs is equally great. In most ventures, donor and recipient funds have been mixed, but the records seldom permit one to disentangle how much resources the recipient has expended on each aid activity. In addition, as already discussed in chapter 7, the accounts of SIDA in themselves raise complex problems for any attempt at benefit/cost analysis.

A complete evaluation must relate the achievements of aid to the resource costs involved. Ideally, one would have liked to make a comparison between achievements and costs in some kind of a benefit/cost analysis. A detailed quantification of benefits and costs, and the timing of the two flows for an individual aid project would require a very substantial original work effort, since very few such exercises have been conducted by SIDA. To analyze benefits versus costs at the general level of the present investigation, is simply not doable within the given timing and manpower constraints.

What is quantifiable, therefore, is the sums disbursed by Sweden, summarized in appendix tables 1 and 2 after chapter 2. To these should be added substantial but unknown sums expended by the recipients. The total must be topped up with interest on the money expended until startup of production. This resource

spending has led to the aid achievements described in chapter 4, and summarized in the preceding section. Additional, but even harder to quantify benefits may have accrued in the form of learning by donor and recipient in the process of aid implementation.

Have the resources expended on aid been productively spent or not? The answer is that we don't know. Reverting once more to the slowness of construction and the low utilization of capacity of the four major programs surveyed, it is clear that the benefit/cost ratio is substantially below the level (whether assessed or not) that formed the basis of the original decisions to go ahead. But then, as noted, these decisions and their underlying assessments may have been unrealistically optimistic.

#### 5. Distortions caused by aid on society at large

Three broad, somewhat philosophical issues will be discussed, viz., the excessive government issue; the operations and maintenance cost issue; and the appropriations in aid issue.

##### Excessive government

With minor exceptions, Swedish bilateral aid has traditionally been regarded as a government-to-government affair. The aid deals have almost invariably been entered into with the central government. This practice has in no way been exclusive to Sweden. Similar practices have been followed by most donors of aid to Kenya and Tanzania. These donor attitudes are not surprising. The government administrations of the recently independent countries were widely regarded as the prime instruments for economic and social development.

The analyses of chapter 4 provide strong support to the claim that the donor insistence on certain activities coupled with the promise of aid, contributed to an overexpansion and overstraining of central government. The nature of the programs launched and the economic responsibilities assumed by the governments were shaped by the preparedness of the donors to contribute financially through the government machinery. The tacit hope that the generosity of the donors would last beyond the investment stage of the aid endeavors, led to a carefree recipient attitude with regard to operations and maintenance costs. The donors seldom explored the long run cost implications of the ventures that they helped to establish. The consequence of Sweden's and other donors' aid was to bias the development pattern of Kenya and Tanzania in favor of central government expansion.

For example, in the absence of purpose-tied aid, the governments of Kenya and Tanzania might not have launched any rural water supply programs at all. If such programs had been brought about, they would certainly have been on a more modest scale, and requiring a far greater popular involvement in investment and

recurrent cost financing, as compared to the programs that were actually implemented, simply because the governments could not have afforded anything else. As a result, the central government would have been smaller, and less prone to administrative and financial overexertion. Similar comments can be made about many aid projects, launched by Sweden as well as by other donors.

To claim, as donors do, that the excessively high standard of installations is due to recipient insistence, is missing the point. Obviously, the donor was asked to provide the best that could be had, since, after all, he was footing the bill, and since it was uncertain whether any savings from choosing lower standards would be available for program expansion or for other activities. Under these conditions, the donor cannot evade responsibility for the choices that were actually made.

#### Operations and maintenance costs

The operations and maintenance issue deals with the recipient governments' neglect in providing sufficient funds for operating the aid projects, and the ensuing capital depreciation. It can be divided into two parts. The first has arisen from the Swedish principle, seldom explicitly outspoken and not always applied in practice, that aid is intended for (widely interpreted) investments only, and that the operations and maintenance costs arising thereafter are the recipient's responsibility. The principle has not been exclusive to Sweden, but quite widespread among donors. Given the great and increasing importance of aid in the economy at large in the two countries, and in their government budgets, the implication has been to give these budgets a heavy investment bias. The fast growth of the aid-financed capital stock in the public sector, in turn, has led to recurrent costs that gradually expanded beyond the governments' recurrent revenues. In this way one can see how the investment bias of aid has contributed to a deficient availability of operations and maintenance funds.

The second part of the operations and maintenance issue concerns situations where the recipient governments have neglected recurrent cost financing in aid projects for other reasons than the inability to secure the necessary funds. Two motivations could have guided such government policy. In some cases, the governments may never have wanted the aid supported venture in the first place at all, or, they may have felt that the venture, though useful per se, was a non-viable proposition, because of the technology chosen, or for other reasons. In other cases, the governments may have calculated that the donors would give up the principle to finance investments only, and would provide recurrent funds after all, rather than seeing "their own" projects decay.

The Swedish projects scrutinized in this study provide interesting examples of such recipient motivations and attitudes.

The rural water and rural health programs as executed, resulted in recurrent cost levels that the governments found hard to afford. Until recent years, the government of Kenya was not very actively interested in the pursuit of family planning, and the unwillingness to provide funds for running it may have reflected that attitude. Some of the Tanzanian rural water installations are non-viable because their operating costs are higher than the investment plus operating costs of installations with alternative technology. And the Kenyan reluctance to provide funds for the running of rural health centers established by Swedish aid was certainly increased by the Swedish (and Danish) indications that support might be forthcoming for that purpose.

As a prominent donor to the two countries, Sweden has contributed to the distortions discussed here. Although the policy of SIDA with regard to recurrent cost financing has varied widely, it has in general been more liberal and flexible than that of most other donors.

The operations and maintenance issue raises two fundamental and related questions for the donor: First, and more immediate, what to do about the past aid investments under decay. And second, and more long term, whether or not to maintain the principle of "aid for investments only," in future engagements.

The economist would say that if the objective of aid is maximization of recipient development, then the principle should go. Donor funding of recurrent costs for his own or other projects should be provided whenever such funding results in greater production and income flows than expenditure in new capital formation. Macroeconomic analysis of recipient economies could be helpful in identifying situations where this is the case.

The economist's argument may be rational, but difficult to apply, on political grounds. Consider an extreme case where other donors provide investment resources only, and where lack of funds to run the aid projects constitutes the most serious development bottleneck. Even though Sweden's aid would then contribute best to development by being spent entirely for operating others' aid projects, such a policy would clearly be unacceptable, given that this country's aid constituency has a strong desire to see clear-cut and easily identifiable manifestations resulting from the aid expenditure.

Even in less extreme cases where only the Swedish-financed projects' recurrent costs are concerned, the economist may miss the point by attaching insufficient importance to the detrimental dynamic consequences to development from long run donor commitments to pay for operations. Such commitments could lessen the recipient's concern and responsibility for the venture, and lead to a perpetuation of activities that are low on his list of priorities.

The recurrent cost issue requires very careful donor policy delineation, taking into account how aid distorted resource allocation in the first place, and how it could optimally contribute to development, given the need to satisfy the aid constituency in the donor country. As noted, this policy issue has not yet been adequately tackled by SIDA.

#### Appropriations in aid

The government-to-government nature of Swedish aid has implied that funds for the projects supported by SIDA were channelled through the Ministry of Finance to the specialized ministry and then on to the recipient country organization in charge of project implementation. Since about 1980, this procedure is being increasingly replaced by the practice of Appropriations in Aid.

SIDA claims that its projects have experienced increasing problems in obtaining the funds transferred from Sweden to the recipient government. The delays in forwarding the money to the project administrations or in providing the foreign exchange needed for imported equipment, has severely disrupted and delayed project implementation. Under Appropriations in Aid, the donor unilaterally decides to bypass the central authorities in recipient countries in providing finance and other resources to projects agreed upon with these authorities.

Two possible circumstances are seen as the cause to the problem. One is that the preferences of the Ministry of Finance with regard to resource allocation differ from those stipulated in the agreement with the Swedish donor. The second is that the delays are simply caused by inefficiency in the recipient bureaucracy.

To assure a smooth running of the projects in which it is engaged, SIDA has reinforced its personnel involvement at the project level, and started on a large scale to channel funds from Sweden directly to the project organization. Furthermore, the imported equipment needs of the project are satisfied by direct SIDA purchases, thus obviating the bureaucratic procedure of granting an import licence and allocating foreign exchange.

The practice of appropriations in aid has become quite common among donors to Kenya and Tanzania during the 1980's. There is little doubt that this practice contributes to speeding up aid implementation. But at the same time, appropriations in aid raise much more fundamental issues that have not been much discussed by the donor community.

While it has been introduced as a measure of donor expediency, the practice is turning around the whole philosophy of aid giving. International aid has traditionally been seen as a government-to-government relationship, with the recipient government constituting the principal instrument for bringing about the desired development. Where a very large part of the

recipient governments' budgets are aid financed, the fast spread of the appropriations in aid practice is seriously compromising the authority of the central government. Though formally aid remains part of the central government, in reality, the appropriations in aid along with the increasing regionalization of the donors' interests turns foreign assistance into an activity more akin to private foreign investments or missionary activities, with limited government say over contents or mode of operation.

Another, more clear-cut consequence of appropriations in aid is that it gives precedence to micro-level considerations in resource allocation, to the detriment of macroeconomic efficiency. During the extended foreign exchange crisis plaguing Kenya and Tanzania in the 1980's, the optimal use of scarce foreign exchange resources has been in widening crucial constraints to the functioning of the economy, e.g. by importing diesel or spares to keep the road transport system operational, and not in maintaining a timely implementation of Swedish health sector or rural water investments. Yet, the appropriations in aid practice has given priority to the latter. SIDA's view on this matter is probably representative of the donor community. "Appropriations in aid has become a must", writes SIDA, "now that the Kenyan government, impelled by the International Monetary Fund, has had to make heavy cuts in its development budget."<sup>4</sup> The implications of this donor view are quite clear: Donor project implementation has precedence over national development.

Are these consequences of appropriations in aid good or bad for national development in recipient countries? The answer is not self-evident, though the weight of evidence suggests that the negative consequences predominate. On the negative side, the efficiency of resource allocation at the national level is bound to decline. The economic sovereignty of the recipient government is circumscribed. The institutional development in the recipient administration is likely to slow down. On the positive side, there may be an advantage in reducing the reach of an over-grown government. What is clear is that this change in aid practice has ramifications stretching far beyond the issue of donor expediency.

#### 4. The experiences gained

The aid relationship with Kenya and Tanzania has resulted in a buildup of valuable experiences within SIDA. These should be helpful in avoiding a repetition of old mistakes, and so improve the performance of future aid. The potential to improve future aid effectiveness, acquired through learning, provides some compensation for the failures and inadequacies of some of the past SIDA programs.

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<sup>4</sup>Samarbetsprogram med Kenya 1985/86-1986/87, SIDA 1985.

Some of the lessons learnt are briefly discussed in the following paragraphs. The discussion begins with a few broader issues. Attention is then directed to the knowledge derived from Sweden's extended and large scale involvements in rural water and rural health in the two countries.

At the broadest level, the experiences of the extended crisis of the 1980's has brought home the message that a large donor cannot be passive and indifferent to the national economic policy environment in which his assistance has to function. An aid-financed activity dependent on some imports for its operations cannot function well in an environment characterized by extreme import restrictions resulting from an excessive rate of exchange. The results of a project with the objective of improving agricultural productivity and output, will be disappointing if at the same time the agricultural pricing policies discourage the farmers from producing more. When national economic policies are clearly counter-productive to aid, then, the donor's choice will be either to influence the recipient to change the policies, or to discontinue the aid endeavor.

To be a constructive partner in policy dialogues of this kind, the donor must acquire a comprehensive grasp of the macro-economic circumstances of the recipient nation. Such a grasp is also a precondition for efficiency in the allocation of his aid.

At a somewhat narrower level, a lesson from experience is that a considerable commonality of interests must prevail between donor and recipient if the donor's objectives are to be reasonably satisfied in aid activities that are completely integrated in broader national programs in the recipient countries.

A clearcut lesson from past aid involvements is that expectations have been excessively optimistic about the speed with which aid could be implemented and about the ratio between outputs and resource inputs. More realistic assessments of what is achievable would help avoiding disappointments about the outcome. This is true, irrespective whether the under-achievement has been due to inadequate competences within the aid agency, to the difficult social and economic environment in recipient countries, or to other factors.

Even after decades of aid activity, the understanding in Sweden of the social and economic environment of recipient countries is incomplete. Past experience points to the dangers of rushing a new activity into this environment on a large scale, and the advisability of proceeding step by step, taking the experiences gained in the process into account when the activity is developed.

The very large involvement of SIDA in providing subsidized social services to major population groups in rural areas has resulted in valuable learning. In some cases, the lessons are clear-cut in

pointing to the necessary conditions for a successful outcome of such programs. In other cases, the issues remain unresolved, with experience only, suggesting what should not be done.

75% of BIDA's aid to the two countries has been channeled through non-government organizations in recent years. The experience of collaborating with such organizations is on the whole encouraging. These organizations have proved less bureaucratic and more flexible than the government as instruments for putting aid to useful work. Increasing employment of non-government organizations could be a way of reducing the excessive and overstrained government bias caused by aid.

One positive lesson is that popular involvement and participation at the lowest possible level is indispensable if broad-based social service activities like rural water supply, or rural health are to succeed. Participation encompasses responsibilities for keeping the system in operating order. This, in turn requires that the necessary skills are available at the local level. Participation should also include responsibility for covering the costs of operation and maintenance. This is important both for economic reasons and because financial commitments by the local communities are bound to increase their interest and involvement in the activity. The best approach to secure such popular participation still remains to be defined.

Another, related lesson is that the technology for operating the service program should be simple enough to be manageable by the local communities. Experience of more advanced technologies suggests that the program risks either of grinding to a halt as unserviced installations break down, or of being redirected to richer population strata in the proximity of urban centers where the supply of technical services is greater.

In retrospect, the deficiencies of the nationwide rural water and rural health programs launched by BIDA, are easy to summarize:

- (a) They employed technologies not manageable at the local level;
- (b) They involved operating and maintenance costs that the central governments could not afford;
- (c) They had too little provision for local participation and involvement.

If the above is accepted as a correct statement of the issue, the ensuing question to ask is, what kind of rural water and rural health facilities would be appropriate in the sense that they could serve a major part of the population in Kenya and Tanzania, and be operated and maintained without continuous foreign support. This question has not yet been sufficiently investigated.

It is possible that to satisfy these conditions, the facilities would have to be so simple and rudimentary that a sophisticated

advanced country donor like Sweden would not be prepared to support their establishment. One of several reasons for such a negative reaction could be that the public opinion in the donor country would disapprove of Sweden's involvement in, say, a national health service system that could not help sick people because the limited available resources were all used for disease prevention. Another reason for donor disapproval could be that a system of, say, rural water, with acceptably low recurrent costs (gravital system) may have total costs per household much higher than another system (drilled wells run by diesel pumps) with unacceptably high recurrent cost levels. On strictly economic grounds it might be cheaper for the donor to install the diesel-run system, and pay for its operation, than to install the gravital system and ask the consumers to cover recurrent costs. These and related issues require careful investigation and research. Aid could make a valuable contribution by supporting the development of technologies in these areas, that are simple enough and cheap enough to operate, and yet do not face disapproval by the donor. It could be that the slow progress in SIDA's more recent rural water endeavors at the regional level is explained by the attempts to tackle these complex problems. The practicalities of assuring local participation are also worth some aid-supported research efforts.

With the present state of the art, there appear to be two options for Sweden and interested donors out of the above dilemma, if they want to stay in the business of public social services in rural areas. One is to accept that the recipients cannot afford to operate a system of a minimum acceptable quality, to the donor, and to assume responsibilities for some part of the recurrent costs through an extended period of time. The other is to abandon the ambition of national coverage, and to concentrate the programs on limited geographical areas, with a commitment by the recipient government to finance operations, or to focus on the less poor, who could conceivably manage the recurrent cost burden on their own.

SIDA's reactions to the problems experienced with the nationwide water and health programs in the two countries suggest that the organization is still groping for possible solutions. The regional rural water activities in Kenya and Tanzania can be seen as processes to design the simple and cheap social service supply structures that the recipient countries could manage themselves. Alternatively, these activities can be regarded as an admission that the donor supported efforts have to be centered on limited population groups. The change of support to Kenya's rural health in favor of recurrent cost financing, suggests a preparedness to consider the option of a fuller donor responsibility over a long period of time, in the supply of subsidized social services at the national level.

Africa6

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## Chapter 6. POLICY CONCLUSIONS FOR FUTURE AID

This study has dealt with the performance of Sweden's assistance to Kenya and Tanzania over an extended period in the past. The Swedish aid endeavors, not the recipient economies as a whole, have been in the focus of interest. The conclusions, likewise, focus on Swedish aid.

The longer run policy conclusions formulated below, have been derived, in the main, from the past experiences of aid, as analyzed in earlier chapters. To begin with, however, a few words should be said about the role that foreign assistance ought to assume in helping the two countries to overcome the current economic crisis, and about the necessary short run adjustments in Swedish aid, if it is to play this role.

1. Aid for crisis resolution

The economic crisis affecting Kenya and even more Tanzania since the early 1980's, though frequently alluded to in the earlier analyses, has not been explored in any systematic way in the present study. Neither will it be in this concluding chapter. It suffices to note that the crisis has a great immediate relevance for aid. Development is prevented so long as crisis conditions remain. And since the objective of aid is to promote development, it is appropriate to seek opportunities to employ aid for crisis resolution. Redirection of foreign assistance to speed up the process in overcoming the economic crisis is also crucial for the effectiveness of the normal aid programs. This is because the latter are very hard to implement while the crisis lasts.

In both countries, the causes to the crisis are internal as well as external. Distorting economic policies along with unfavorable climatic conditions and depressed international demand for the commodities exported by Kenya and Tanzania have resulted in a number of bottlenecks that paralyze the functioning of their economies. Prominent among the bottlenecks is that of foreign exchange availability.

Foreign aid could play a constructive role both in relaxing the resource bottlenecks and as a leverage to change some of the policies that brought about or worsened the crisis in the first place. In practical terms, this implies that most of the ongoing aid that is not immediately related to crisis resolution, should be deferred, and the released resources spent on an expanded program of import support without specific purpose ties, but contingent upon policy reform. The primary purpose of the policy change prodded by the aid donor would be to remove existing bottlenecks, e.g. to reduce the foreign exchange scarcity by

increasing its price, or to augment the domestic availability of food by abolishing price controls and permitting agricultural prices to rise.

Over the most recent past, there has been a shift in Sweden's aid in the directions outlined above. More aid is being provided for import support. Increasing pressures are being exerted by SIDA to induce policy change. But given the profundity of the crisis, the shifts appear to be inadequate. The cautious approach adopted so far may be due to uncertainty about the right way to tackle the new situation, and a reluctance to slow down or arrest the work in ongoing aid ventures. The mounting experience makes it more and more evident that most of the ordinary aid programs do not function well, and hence do not contribute much to development so long as the crisis lasts. It follows that the development productivity of Sweden's aid will improve if the resources are shifted in a wholesale way so as to help the recipient countries to speed up the process of crisis resolution.

The impact of aid in crisis resolution, both in terms of relaxation of resource constraints and leverage for policy reform will be greatly increased if the major donors can coordinate their aid policies. A first crucial task for a coordinated donor group would be to sit down with the recipient and hammer out a feasible path out of the crisis, and the most constructive role that foreign assistance could play in the process. As a leading donor in Tanzania and a prominent one in Kenya, SIDA could play an important role in coordinating donors and redirecting aid in the suggested directions.

## 2. Longer run issues in Swedish aid

The acute economic crisis from which Kenya and Tanzania are presently suffering, will eventually be resolved. In the meantime it is important to consider the policy measures that could improve the development productivity of Sweden's aid in the longer run. A number of such measures that emerged from the analyses in earlier chapters, are restated in the following paragraphs.

The short institutional memory of SIDA was noted in earlier chapters. To overcome this deficiency, it might be useful to prepare historical writeups on the various activities undertaken by SIDA, analyzing what happened and what went wrong over time. The documents should be available both at the SIDA head office and in the field offices. Making these analyses required reading for relevant personnel groups in SIDA might be an efficient way to assure a more complete feedback from past experiences.

A very strong case can be made for improving Swedish understanding of the macroeconomic circumstances in the recipient countries. One way to bring this about could be by providing support to the establishment of independent economic policy think

tanks of high academic standing, possibly attached to the national university in each recipient country, and by encouraging collaboration between these think tanks and Swedish academic institutions. Apart from providing an opportunity for Swedes to study the Kenyan and Tanzanian macroeconomies, the tanks could fulfill useful roles in formulating policy views alternative to those of the Ministry of Finance, and in acting as talking partners to the IMF or bilateral donors.

An interesting beginning in this field is the institutional collaboration between the universities of Dar es Salaam and Lund. Several of the staff of the economics department at the university of Dar es Salaam has spent extended periods in Sweden under this collaboration for Ph D studies. This department has lately provided the only alternative to the government in terms of formulating and voicing proposals for national economic policy.

Careful macroeconomic analysis is indispensable if one wants to determine the appropriateness or otherwise, of current Swedish aid allocations. Such analysis should reveal the extent and seriousness of the investment bias in government budgets that aid has tended to cause. It should also throw light on the recurrent cost implications of aid projects, and help in identifying cases where aid expended on recurrent costs has a particularly valuable role to play.

The developmental implications of all proposed aid activities should be carefully screened against the macroeconomic framework of each recipient country, to weed out ventures with unsatisfactory characteristics in this respect. The need for SIDA to be involved in detailed decisions about aid allocation when this screening procedure is in operation will be much reduced.

Fast experience contains a clearcut warning against rushing large scale aid resources into new fashionable activities, without properly considering their ultimate incidence.

Macroeconomic analysis should reveal neglected comparative advantage that could be employed with the help of aid to speed up production and income generation and to improve equity. It is possible that the guidelines provided by such analysis would reorient the contents of Sweden's aid in favor of agriculture, or of activities with an export potential.

Such analysis ought also to be of help to SIDA in formulating future policies with regard to recurrent cost financing. One way to avoid unreasonably heavy recurrent cost responsibilities, and yet to encourage the recipient to provide sufficient resources for operations might follow the line sometimes adopted by the UK, of assuming only the incremental recurrent costs on condition that the recipient provides for the "base load".

A better understanding of the macroeconomics and of the social and economic environment of recipient countries, while of very great importance as a framework for the delineation of an appropriate aid program, is by itself no panacea. A variety of other preconditions must also be satisfied to achieve a high level of aid effectiveness.

The circumstances under which Sweden should apply policy conditionality to its aid ought to be identified in a clear way. That they have not so far, is primarily due to the low-key role played by SIDA in this respect until the most recent years. In the future, policy conditionality is likely to have a much greater role, in consequence of the painful experience of administering aid during the economic crisis that plagues Kenya and Tanzania. Feasible policy conditionality will require greater donor coordination. Clearer rules on when and where policy conditionality will be applied, are important to help the recipient to anticipate the consequences of alternative actions on his part, and to avoid the risk of opportunism on the donor side in the use of this instrument.

A greater effort ought to be devoted by the Swedish aid agency to the evaluation of its activities at the micro-level. It is essential that the accounting systems used by SIDA are adjusted with a view to facilitating benefit/cost analyses of projects and programs. Preferably, the accounts should be restructured to permit the assessment of costs and achievements both in monetary terms, and, where applicable, in quantitative terms.

The disappointing performance of the very large Swedish involvements in rural water and rural health at the national level in the two countries, along with the uncertain direction of the current regional activities, suggest the usefulness of much more energetic effort by SIDA to design appropriate concepts and technologies for aid supported endeavors in Kenya and Tanzania in these areas.

There is a case for expanding the "innovative" content of Swedish aid, through which new scientific, technical or institutional knowledge appropriately adapted to the recipient country, is developed. A case in point is the Tanzanian village afforestation program to which SIDA is a prominent contributor. This program could be strengthened by the setting up of a forest research institute with the task of identifying and developing species most suited for planting around villages, but also of exploring the socio-political circumstances that must prevail to assure a high survival rate for the trees. Sweden might have a comparative advantage in an initiative along these lines, given the long historical tradition of this country in forest research. Fruitful application of the Swedish experiences requires careful efforts to adapt them to suit the conditions in Tanzania. "Innovation" aid efforts by Sweden in other areas of Swedish excellence could be motivated on similar grounds, and with the same provisos.

Careful selection of technical assistance personnel and assurance of continuity both of the venture and of its personnel assume a very great importance in "innovation" aid.

The weakening of Sweden's traditional, altruistically motivated aid constituency, and the strengthening of the proponents for aid that is commercially useful to Sweden, was noted in an earlier chapter. This change increases the need to consider very carefully the tradeoff between a larger aid program containing commercial features which reduce its development impact on the one hand, and a smaller and "purer" program on the other.

Even if tying part of Sweden's aid to Swedish resource use is a political necessity, a case could be made for a more liberal attitude at least with regard to the technical assistance personnel. The almost exclusive use of Swedes in technical assistance programs is probably more expensive than would be a practice of international cost effectiveness in this field. Professionals in some countries require lower salaries than corresponding Swedish professionals, although this saving will be reduced by the higher coordination costs of a multinational team. Furthermore, some specialists are simply not available in Sweden. The employment of non-Swedish personnel in such cases, especially in innovation aid, would facilitate the adoption of concepts and solutions appropriate for the task at hand but not widely known in Sweden. A complete freedom to use personnel from whatever source would probably involve a lower cost and certainly permit a much better fit between the tasks and the qualifications and backgrounds of the individuals employed.

There is a great need to clarify the executive responsibility in projects financed by SIDA. In "ordinary" aid with few high tech inputs, e.g. construction of buildings, there is a case for handing over more responsibility to recipient institutions, but to impose clear-cut performance standards, whose fulfillment is made conditional for continued support. The problems of implementation are likely to be more complex in innovation aid, warranting a fuller Swedish executive involvement. High tech ventures might best be delivered as turnkey projects.

Great care should be taken to assure popular participation of the groups that will benefit from aid projects, and preferably not by coercion (cf. village afforestation in Tanzania), but by individual self interest (cf. land care in Kenya).

Past experience points strongly to the need to involve other parties than the recipient country's central government in the aid process. This need is increasingly being recognized and implemented by SIDA. Collective institutions like cooperatives, but also private enterprises could be given expanded roles in handling individual projects, to relieve the government of part of the administrative burden of aid. At the same time, very careful consideration has to be given to the role of the central

government in the aid process, so as to safeguard against the adverse effects of appropriations in aid, through which the authority of the central government is compromised.

SIDA's efforts to coordinate its aid with Nordic and other donors should be further widened. As already noted, such coordination is necessary if donors want to pursue purposeful policy conditionality. Other advantages of such coordination include a reduction of the recipient government's administrative hurdles, avoidance of duplication, a sharing and hence faster spread of valuable experiences, and an improved efficiency in the allocation of aid resources.