

University of Nairobi

The Institute of Diplomacy and International Studies

**A CRITICAL ANALYSIS OF FOREIGN AID CONDITIONALITIES AND THEIR
IMPACT ON PUBLIC POLICY IN AFRICA: A CASE STUDY OF THE CIVIL
SERVICE REFORM PROGRAM IN KENYA (1990 – 2012)**

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A Research Project submitted in partial fulfilment of the Degree of Masters of Arts at the

Institute of Diplomacy and International Studies

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OCTOBER, 2013

DECLARATION

I declare that this research project is my original work and has not been presented for a degree in any other university.

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Abstract

This study explores the impact of foreign aid conditionalities on public policy in Africa. It argues that donor countries should reduce conditionalities and strengthen domestic accountability. It reveals that when donors impose conditions as a pre-requisite for disbursement of aid, recipient countries end up adopting these conditions as 'public policies' without domestic participation and proper planning to the detriment of its citizens. However this study acknowledges that although consequences of donor conditionalities adversely affected the recipient countries, in the long term some of the SAPs actually benefited these countries such as the liberation of money markets and other aspects that spurred economic growth.

The study concludes that poverty amongst Kenyans was actually abated instead of being alleviated as a result of retrenchment of civil servants on an ad hoc basis in the implementation of Civil Service Reforms Programme (CSRP) in Kenya. This brought to the fore the glaring gap of lack of policy coordination in the government. Whereas on one hand the government was advocating for poverty reduction, on the other hand she was retrenching civil servants without properly cushioning them against harsh economic realities. The savings made from the retrenchment were used to pay better salaries to a lean, efficient and effective civil service while the retrenches/retirees could hardly make ends meet.

The study recommends recipient countries to formulate home-grown policies backed by policy research conducted by Think-Tanks, to enhance ownership and strengthen partnership on conditionality. These Think-Tanks should be assimilated into the process of public policy making to coordinate the various initiatives that have similar goals.

This study further concludes that reduction of the public service wage-bill (by retrenchment and retirement of public servants) is not a solution towards reducing a country's current account deficit. Other factors like the real peculiarities of African economies need to be looked into, with a view of establishing how they contribute towards slow growth of an economy and how they can be mitigated. In Kenya, the post-election violence in 2008 and the constant wrangling of the coalition government immensely affected the country's economic growth. The gains made by Economic Recovery Strategy which realised an economic growth of 7% in 2006 and a decline in poverty levels from 56.8% to 46% were greatly eroded. The economy grew by only 2.3% in 2008 instead of the projected 7%. This study also concludes that as the Western donors continue to impose harsh conditionalities, African countries are increasingly 'facing the East'. China is making tremendous inroads into African economies. The question begs- is this yet another scramble for Africa or is the cold war resurrecting in another form?

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DEDICATION

I dedicate this work to my family for the sacrifice they made for me to complete this project. Their love, care, concern, support, encouragement and enthusiasm inspired me to achieve this goal.

Acknowledgement

I take this opportunity to thank God for good health and for bringing me this far. I also want to extend special gratitude to my supervisor, for the great partnership we made. His guidance, encouragement and patience in reading, correcting, re-reading and refining this work is commendable.

LIST OF ACRONYMS

ACEG	African Centre for Economic Growth
ADB	African Development Bank
CG	Consultative Group
CMPD	Centre for Multi-party Democracy
DAC	Development Assistance Committee
DPM	Directorate of Personnel Management
EAC	East African Community
EC	European Commission
ERC	Economic Research Consortium
ERS	Economic Recovery Strategy
GDP	Gross Domestic Product
GoK	Government of Kenya
HIPC	Highly Indebted Poor Countries
IDS	Institute for Development Studies
IFI	International Financial Institution
IMF	International Monetary Fund
IPAR	Institute for Policy Analysis and Research
ISD	Integrated Service Delivery
KEAP	Kenya External Aid Policy
KIPPRA	Kenya Institute for Public Policy Research and Analysis
MEFP	Memorandum of Economic and Financial Policies
NPM	New Public Management
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PIPs	Performance Improvement Plans
PRGF	Poverty Reduction and Growth Facility
PSR	Public Sector Reforms
RBM	Results-Based Management
RRI	Rapid Results Initiative

SAP	Structural Adjustments Programme
SSA	Sub Saharan Africa
TA	Technical Assistance
UN	United Nations
UNDP	United Nations Development Programme
UNDP	United Nations Development Programme
WB	World Bank

CHAPTER ONE

BACKGROUND TO THE STUDY

1.1 Introduction

Foreign aid to African countries gained momentum with the advent of the cold war. The United States' concern then was to contain the expansion of communism using the Marshall plan. This plan eventually evolved into a foreign aid strategy by the liberal West to Third World countries that embraced the 'correct' ideology. In fact both blocs adopted foreign aid as a tool to advance their foreign policy goals.

The communist bloc mainly provided military aid whereas the west resorted to various forms that included technical assistance, grants and loans. The question of conditionality then did not arise because each bloc was preoccupied with winning as many allies as possible. In essence, the only conditionality then was alignment to either bloc, whether directly or by proxy, depending on who was disbursing aid.

Aid can either be bilateral, from state to state, or multilateral, from the United Nations or other agencies. Bilateral aid comes in different forms such as grants which are funds given free to the recipient usually for some stated purpose. Technical cooperation refers to grants given in the form of expert assistance, while credits are grants that can be used to buy certain products from the donor state.¹

Other forms of aid include loans which are funds given to help in economic development and must be repaid in the future out of surplus generated by the development process.² Loan guarantees on the other hand are promises by donor state to back up commercial loans to the recipient. If the recipient state services such debts and ultimately repays them, there is no cost to the donor. But if the recipient cannot pay repayments, the donor has to step in and cover the debts.³ Military aid is actually part of development assistance although normally it is not included as such.

When the Cold War ended in the early 1990s, there was a paradigm shift. The West no longer needed allies and their foreign aid policy took a dramatic turn particularly towards Africa that

¹ J. S. Goldstein, *International Relations* (Washington DC.: Longman, 2001) p. 616

² Ibid

³ S. G. Koeberle, 'Should Policy Based Lending Still Involve Conditionality?' *The World Bank Research Observer*, Vol. 18 No. 2, Fall 2003 p. 251

caught many aid-dependent countries unawares. Elaborate reforms designed by the World Bank and the International Monetary Fund (IMF), were adopted by the donor community as the conditions for acquisition of loans and other forms of assistance. The prescription included good governance, transparency and accountability, zero-tolerance to corruption and reforming the public sector. Failure to adhere to these conditions in most cases resulted in the withholding of further aid to the recipient.

In Kenya, the conditions for resumption of aid entailed among others, liberalization of the economy, passing in parliament of bills such as the Economics Crime Bill, Code of Ethics for Public Servants Bill, Anti-Corruption Bill and the Central Bank of Kenya amendment Bill, 2000. World Bank maintains conditionality is central to policy based lending, linking financial support from donors to policy reforms considered critical for a country's economic and social development.⁴ Such an approach is seen as an assurance to both the 'bank that the reforms will be implemented, and the country that compliance will make financing available'.⁵ Corruption in recipient countries became the donors' major preoccupation. They defined it as 'an endogenous... variable characteristic of governments in 'aided' countries'.⁶ Prior to liberalization in the 1980s and 1990s, official corruption in government mostly comprised misappropriation of public resources within a highly state-controlled and regulated economy. At the time the donor community led by the World Bank, declared 'zero tolerance' on corruption, Structural Adjustment Programmes (SAPs) were already underway throughout Africa.

In fact corruption in most of the recipient countries went on unabated for twenty good years, while on the other hand donor policies created new opportunities for official corruption. This is attributed to the donor's tendency to adopt general conditionalities instead of pegging aid to actual impact. The donor community's attitude towards anti-corruption measures, has been emphasis on "inputs and processes such as budgets funded and staff recruited," instead of 'outputs and impact' on the number of corrupt officials prosecuted or corruptly acquired assets

⁴S. G. Koeberle, 'Should Policy Based Lending Still Involve Conditionality?' *The World Bank Research Observer*, Vol. 18 No. 2, Fall 2003 p. 251

⁵*Ibid*

⁶B. Cooksey, 'Aid and Corruption: A worm's Eye View of Donor Policies and Practices' a paper presented at the 11th International Anti-Corruption Conference on 'Corruption and Donor Policies and Practices' at Seoul in May 2003 also available online at <http://www1.worldbank.org/publicsector/civilservice/census.htm>

returned to the state.’’⁷ The trend for economic and political reforms led the Special Programme of Assistance for Africa (SPA)⁸ to endorse in November 1995, guiding principles on civil service reforms as an instrument of better donor support coordination. The bone of contention was African civil services were said to be “plagued with corruption and other misallocation of resources, ineffective service delivery...and recruitment and promotion of unqualified staff.’’⁹

1.2 Statement of the Research Problem

The trend of policy-based lending and conditionality progressed over the past decade, so much so, to the extent of being regarded as having “a central role to play when tailored to country circumstances.’’¹⁰ However, such a stance should not be a license to dominate the process of identifying problems and strategizing solutions in recipient countries because “this is likely to undermine ownership and commitment.’’¹¹

In most African countries, the task of transforming conditionalities into official public policies, is undertaken by the executive, but the question of the executive dominating public policy making is however disputable since stakeholders, both international (comprising of the World Bank, bilateral and multilateral aid agencies) and domestic (represented by the middle class) significantly influence public policy. In Africa, despite the domination of public policy-making by the executive, official government policies mostly tend to lack wider public support, especially when being implemented. Such a scenario tends to diminish the “objective legitimacy of most of the Public policies adopted by governments’’¹², and renders the implementation futile. When a “government accepts the financial assistance with the conditionalities attached to it, it rules out any indigenous public policy discussions on the issues covered by aid.’’¹³

In Kenya, and many other African nations, foreign capital conditionalities have tremendously influenced public policy-making mainly through multilateral and bilateral donor aid.

⁷B. Cooksey, ‘*Aid and Corruption: A worm’s Eye View of Donor Policies and Practices*’ a paper presented at the 11th International Anti-Corruption Conference on ‘*Corruption and Donor Policies and Practices*’ at Seoul in May 2003 also available online at <http://www1.worldbank.org/publicsector/civilservice/census.htm>

⁸The SPA is a group of aid agencies that meet to coordinate balance of payments and other support to African countries undergoing reform programmes.

⁹C. Wescott, ‘*Guiding Principles on Civil Service Reform in Africa: An Empirical Review*’ (1996) also available online at <http://www.worldbank.org/publicsector/civilservice/census.htm>

¹⁰S.G. Koeberle, ‘*Should Policy Based lending still involve Conditionality?*’ *The World Bank Research Observer*, Vol. 18 no. 2 Fall 2003 p. 250

¹¹C. Wescott, ‘*Guiding Principles on Civil Service Reform in Africa: An Empirical Review*’ op. cit., p. 5
ver, Vol. 18 no. 2 Fall 2003 p. 250

¹² *Ibid*

¹³Wescott, ‘*Guiding Principles on Civil Service Reform in Africa: An Empirical Review*’ op. cit., p. 5

Dependency on foreign aid enslaves a country to accept wholesale conditionalities that are transformed into public policies even if they have far reaching implications.

The civil service programme was launched in August 1993 and its main objective was to improve efficiency and productivity of the Civil Service. To this end, the government created steering Committees on the Civil Service Reform Programme (CSRP) at the national, provincial and district levels as well as in each ministry with a national secretariat as its operational arm. The reform represented significant policy shifts in the areas of staffing, civil service organization, pay and benefits, personnel management and training and financial and performance management.¹⁴

The more a country is dependent on foreign aid, the more the donors impose conditionalities. The more they impose conditionalities, the more the interference with public policy-making. The more the interference, the less the government's freedom to indigenize public policy-making, and therefore generally impacts on governance of the recipient country. This study will be based within this broad framework and shall confine itself to the period from 1990 to 2012.

This study will investigate how foreign aid conditionalities impacted on public policy in Africa, with specific reference on how the Civil Service Reforms Program in Kenya (1990 – 2012), yielded results in the initial implementation stages, contrary to the expectations of the policy makers. The study will also explore how the civil servants were affected by this policy decision.

1.3 Overall Objective

The main objective of this study is to analyse critically the impact of foreign aid conditionalities on public policy in Africa using the case study of the civil service reform program in Kenya (1990 – 2012).

1.3.1 Sub Objectives

The study specifically seeks to:

1. Examine how foreign aid conditionalities have impacted the civil service reform programmes in Kenya
2. Explore the government's efforts to formulate alternative indigenous policies
3. Investigate the role of think-tanks in the policy making process

¹⁴Mr. A. Sawe *Case-Study of the Kenya Civil Service Reform (CSR) Programme*

1.4 Literature Review

The literature review for this study is divided into two parts; foreign aid and conditionality, and, Policy formulation and Civil Service Reforms in Kenya as explained below.

1.4.1 Foreign Aid policy and conditionality

Dollar/Collier showed that current allocations of aid are allocated inefficiently. They came to the conclusion that aid money is given in many cases as an incentive to change policy, and for political reasons, which in many cases can be less efficient than the optimal condition. They agree that bad policy is detrimental to economic growth, which is a key component of poverty reduction, but have found that aid dollars do not significantly incentivize governments to change policy. In fact, they have negligible impact. As an alternative, Dollar proposes that aid be funnelled more towards countries with “good” policy and less than optimal amounts of aid for their massive amounts of poverty. With respect to “optimal amounts” Dollar calculated the marginal productivity of each additional dollar of foreign aid for the countries sampled, and saw that some countries had very high rates of marginal productivity (each dollar went further), while others [with particularly high amounts of aid, and lower levels of poverty] had low [and sometimes negative] levels of marginal productivity. In terms of economic efficiency, aid funding would be best allocated towards countries whose marginal productivities per dollar were highest, and away from those countries that had low to negative marginal productivities. The conclusion was that while an estimated 10 million people are lifted from poverty with current aid policies, that number could be increased to 19 million with efficient aid allocation. (Collier and Dollar: 1999).

New Conditionality is the term used in a paper to describe somewhat of a compromise between Dollar and Hansen. Paul Mosely describes how policy is important, and that aid distribution is improper. However, unlike Dollar, “New Conditionality” claims that the most important factors in efficiency of aid are income distributions in the recipient country and corruption. The process of economic policy formulation can range from a very democratic, participatory process to a process that is closed, secret, and dictatorial.

Nonetheless, in a vibrant economy individuals will always make economically significant choices. Individuals' choices depend on their expectations of what economic policy will be.

These expectations depend not only on what the government declares economic policy to be, but also on history, culture, and; economic and political logic. Differences between the economic actors' expectations regarding economic policy and the government's policy plans can greatly affect economic outcomes.

Olowu¹⁵ argues that reforms prescribed to recipient countries have not been very successful because of faulty 'diagnosis and prognosis.' He contends that reforms have failed to tackle the major problems confronting African civil services because of their 'preoccupation with purely technical concerns of reducing the size and cost, "but do not address the challenging issues such as building and sustaining the institutional capacities of African Civil services within the political, cultural and economic context."

Wescott¹⁶ concurs with Olowu and observes that particular attention needs to be given to the social consequences of entrenchment. He ascertains that reducing the size of civil service is often a prerequisite for ensuring that governments can sustain and finance a smaller and better paid civil service but however cautions that unless such efforts are well designed, they can have negative consequences on morale and productivity.

Contrary to Wescott, Arne Bigsten¹⁷ emphasises the dilemma associated with conditionality is that, in the short term, it functions as an agent of restraint, but in the longer term, it may instead crowd out the development of domestic agents of restraint on the actions of the recipient government. He advises that if aid is to be effective, donors must find ways to combine a move towards increasing self-reliance on the part of the recipient.

However Lienert¹⁸ seems to agree with Wescott on the issue of well-designed initiatives to avoid negative impacts on morale and productivity. He argues that even though many African countries have taken crucial measures to restructure the civil services by downsizing them, little progress has been made in improving pay and promotion policies. He concludes that cost-cutting measures need to be accompanied by bold reforms to improve quality.

¹⁵B. Olowu, *Redesigning African Civil Service Reforms* (UK: Cambridge University Press, 1999)p. 37

¹⁶. Wescott, 'Guiding Principles on Civil Service Reform in Africa: An Empirical Review' op. cit.

¹⁷A. Bigsten, 'Can Aid Generate Growth in Africa?' Working Papers in Economics no. 3 Department of Economics, Goteborg University

¹⁸I. Lienert, *Civil Service Reforms in Africa: Mixed Results after Ten Years* (Washington DC.: IMF, 1997) p. 79

Rothschild¹⁹ notes that literature on public policy based on research and application of the policy sciences in the developed countries is often not applicable in Less Developed Countries (LDCs). He observes that conceptualization that takes place outside the third world is often not relevant to African states. He attributes this to non-transferability of experiences from these highly industrialized societies.

Koerberle²⁰ concurs with Lienert and Wescott. He contends that traditional conditionality has not been entirely successful and suggests new approaches such as increasing ownership and selectivity, improving design of conditionality and strengthening partnership on conditionality. Cooksey²¹ affirms Olowu's position that aid dependency leads to weak bargaining relationships with donors but he however concedes that in dependency, donor agencies want to lend and spend as much as recipients want to borrow and obtain grants.

Schatter²² attributes that failure of most of the public service reforms to 'technocratic' approach taken by donors. This approach, he affirms, overlooked the fact that reforms, despite having important technical aspects, were also a social and political phenomenon driven by human behaviour and local circumstances. Just like Koerberle and Cooksey, he points out that failure of local ownership is another flaw in reforms and observes that a powerful lesson can be learned from over twenty years of donor support for public service reforms that 'significant reforms will not flourish without local leadership and ownership.' He however cautions that although donors are to blame to a certain extent, they, on their part encountered resistance towards public service reforms in many developing countries that hampered the implementation of these reforms.

1.4.2 Policy formulation and Civil Service Reforms in Kenya

Onjala²³ in his report analyses the dependency of the government of Kenya on foreign financing and examines how foreign policy developed by international agencies run through Kenya's economic policy and development strategy. He asserts that government policy has proven ineffective over the years in redistributing income and wealth. He notes that efforts by the Kenyan government to cushion against further poverty impacts of SAPs through safety nets may

¹⁹D. Rothschild, *Scarcity, Choice and Public Policy in Middle Africa* (London: University of California, 1978)

²⁰S.G. Koerberle, 'Should Policy Based lending still involve Conditionality?' *The World Bank Research Observer*, Vol. 18 no. 2 Fall 2003

²¹B. Cooksey, 'Aid and Corruption: A worm's Eye View of Donor Policies and Practices' op. cit

²²M. Schacter, *Public Service Reform in Developing Countries: Issues, Lessons and Future Directions* (Ottawa: Policy Branch Canadian International Development Agency, 2000)

²³J.O. Onjala, 'Economic Growth and Development in Kenya since Independence' Paper presented at the Institute of Policy Analysis and Research (IPAR) Conference, Naivasha 1995

only serve to perpetuate the existing inequalities. However, Mbai²⁴ in his study analyses how the Kenya government gradually and consistently eroded the supremacy of parliament and concentrated power and authority in the presidency. He states this led to the domination of the public policy-making process in the country by the presidency and the civil bureaucracy.

Contrary to Onjala, Ikiara²⁵ contends that safety nets are necessary in order to ensure that the economy is fully liberalized without hurting the poor and without attracting too much criticism. He recommends the creation of a conducive and stable business environment for micro enterprise operators as one of the key ways of enabling this sector to play an even more prominent role in improving the lives of those who have been or will be marginalized in the process of restructuring the economy.

Kimuyu and Ng'ethe²⁶ propose Kenya should borrow best practices from successful East Asia countries. The two examine the importance of the need for independent research institutions that can increase a country's capacity for policy formulation and analysis. They explore the south-east Asia experience as a possible solution to the Kenyan situation. The report attributes the success in South-East Asia in the policy-making to the existence of think-tanks as independent institutions that complement the government's effort in this regard.

Ndambuki²⁷ affirms in his paper that the objective of the reforms in the civil service is to create a leaner; more focused and better equipped service which will be able to deliver quality services, but Orwoba²⁸ dwells more on performance improvement in the public service and notes that the concept of performance improving is rooted in the consideration that performance levels and nature of service delivery in the public service are inadequate with wasteful uses of resources. The concept therefore aims at raising levels of service output and quality of service provided.

Kiragu²⁹ echoes Orwoba's sentiments by observing that civil service performance is probably the primary determinant of the nation's socio-economic development.

He regards it as a logical perspective which underpins the significance of civil service reforms to national growth and prosperity. On the other hand, the Economic Recovery Strategy³⁰ estimates

²⁴C.O. Mbai, *'The Nature of Public Policy Making in Kenya'* Paper presented at the Institute of Policy Analysis and Research (IPAR) Conference, Naivasha 1995

²⁵G. Ikiara, *'Economic Restructuring and Poverty in Kenya'* Paper presented at the Institute of Policy Analysis and Research (IPAR) Conference, Naivasha 1995

²⁶Kimuyu and Ng'ethe, *Penetrating National Policy Discourse* (Nairobi: The Regal Press of Kenya Ltd, 1997)

²⁷T.M. Ndambuki, *'Need for Further Rationalization in the Civil Service'* Paper presented at a workshop on Targeted Voluntary Early retirement Scheme (TVERS), Nairobi, 2004

²⁸M. Orwoba, *Performance Improvement in the Public Service* (Nairobi: 2002)

²⁹Kiragu, *'policy adjustments and repercussions'*

the number of people living in poverty to have risen from 11 million in 1990 to 17 million in 2001. Improving public administration is essential to economic recovery. The sector is excessively large thereby absorbing inordinately large amount of national resources. The sector is characterized by wastefulness and inefficiency and has become a bottleneck to the overall development of Kenya.

However, the Central Bureau of Statistics³¹ contends that Poverty levels have declined across the country with overall poverty incidence declining from 52.3% in 1997 to 45.9% in 2005/06. Awiti³² reviews have shown that poor linkages between policy formulation, planning and budgeting processes have partly contributed to limited realization of intended objectives.

Kenya has been receiving development assistance since independence. The Kenya External Aid Policy (KEAP)³³ provides that the average annual gross aid inflows as a percentage of GDP increased from 5.8% in 1970s to 9.9% in the 1980s, 10.7% in the 90s but declined to less than 5% in early 2000s. However, the effectiveness of development assistance has not been optimal principally due to poor governance. In addition, the ineffectiveness has been aggravated by lack of an overall framework for management of external aid, poor accountability mechanisms and high aid transaction costs.

A letter of intent to IMF indicates that the Kenya government cannot proceed with its programmes without consulting and updating the Fund. The letter specifies that “the Government believes that policies set forth in the Memorandum of Economic and Financial Policies (MEFP) for 2004/05 are adequate to achieve the objectives of its programme, but it will take any further measurement that may become appropriate for this purpose.” It further stipulates that “Kenya will consult with the fund on the adoption of these measures, and in advance with the fund’s policies contained in the MEFP,” and “in accordance with the fund policy on such consultation... the government will consult with the fund if it decides to proceed to implement any programme that would result in the modification of the fiscal targets under the programme.”³⁴The government commits itself that “Kenya will continue to provide the fund with

³⁰GOK, *Economic Recovery Strategy for Wealth and Employment Creation 2003-2007* (Nairobi: Government Press, 2003)

³¹CBS, *Economic Survey 2007* (Nairobi: Government Printers, 2008)

³²A. Awiti, *Effective Management for Sustainable Economic Growth and Poverty Reduction: National Development Plan 2002-2008*

³³GOK, *Kenya External Aid Policy 3rd Draft*, May 2006

³⁴IMF – Kenya, *Letter of Intent: Memorandum of Economic and Financial Policies and Technical Memorandum of Understanding*, Dec 6, 2004 also available at <http://www.imf.org/external/np/loi/2004/ken/index.htm>

all the information in a timely manner as required, to monitor progress in implementing policies and achieving the objectives of Poverty Reduction and Growth Facility (PRGF)”.³⁵

1.4.3 Gap in the Literature

From this literature review, it is evident that foreign aid conditionalities do affect public policy of the recipient countries. Although the recipient countries depend on aid, they can therefore not avoid the conditionalities attached to it. Despite this fact, such countries could still venture into policy indigenization to compliment the foreign oriented policies. This way, they can counter, within their means any adverse effects that will impact on the citizenry. When the SAPs were initially introduced, many if not all African countries suffered the consequences as they had no choice but to swallow the bitter pill of the reforms as conditionalities. The Western world no longer needed to ‘bribe’ them to sustain the alliance to the western bloc because the Cold War was over. In essence, the African nations and the third world as a whole was jolted by these new developments and their unpreparedness was reflected in their haphazard manner in which the public policies were formulated.

However, in the long term some of the SAPs actually benefited the countries such as the liberation of money markets and others that spurred economic growth. Most of the previous studies have not dealt much with the impact of foreign aid conditionality on public policy per se but have concentrated more on foreign aid conditionalities in relation to reforms only. This study will therefore further contribute towards the debate on foreign aid conditionalities in relation to public policy.

1.5 Justification of the Study

Conditionalities attached to foreign aid are normally transformed into public policies by recipient countries and to a greater extent influence public policy making process and output in these countries. Dependency on aid stifles the potential to indigenize public policy and renders the formulation process to be ‘dependent’ on foreign aid conditionality.

This study therefore seeks to examine how foreign-aid conditionalities are transformed into public policy and their effects on the target group. The study contributes to policy and also

³⁵*Ibid*

explores how recipient governments can complement conditionalities with ‘home-grown’ policies to cushion its citizens from any adverse effects.

The study also seeks to establish how lack of proper coordination between policy issues lead to an outcome contrary to what the policies stipulate. The underlying assumption is, retrenchment as a function of CSRP generated rather than alleviated poverty because there was no harmonization of public policy, particularly at the implementation stage, between CSRP and poverty reduction strategy.

As a critical analysis, this study seeks to demonstrate that since the reforms are detected by the donors, there are similar patterns that emerge in the challenges and conditions that inform public policies in African countries. Kenya embarked on the reforms under one strategy of public sector reforms with CSRP being one of the components. Other states such as Tanzania, operated CSRP as a separate entity that encountered a lot of problems, forcing the government to develop a new strategy, which was ‘home- grown’ and participatory as opposed to the earlier initiative.

Owing to the nature of how reforms were imposed upon the nations by the donors, CSRP’s were directed from the top echelon of the government downwards and were only participatory to a certain extent in the second phase, when ministries had to ‘own’ the process according to the given procedures. The study looks into the various economic strategies adopted and being formulated by the countries to address wealth creation and poverty alleviation such as Economic Recovery Strategy, Kenya vision 2030 and Kenya External Aid Policy Third Draft.

This study will also contribute towards the debate on foreign aid conditionalities and public policy, emphasizing the need for policy research in the indigenization of public policy. The CSRP was introduced as one of the ad hoc Structural Adjustment Programmes (SAPS) and in most cases was implemented without a clear policy framework. In Kenya, despite having completed the first two phases of the programme, the Directorate of Personnel Management (DPM), which was then the executing agent of CSRP, had not done a Monitoring and Evaluation analysis (M&E) to determine whether the intended goals of the initial phases had been achieved or not. The main goals of the programme were to have a leaner, efficient and more effective civil service. DPM instead embarked on the third phase without establishing if CRSP had achieved these core goals or not.

Most of the African countries also launched public service reforms in the early 1990’s with similar intentions, to streamline the civil service in terms of structures, functions and systems in

order to address the problems afflicting its performance. Two major problems that were commonly encountered during the reforms were lack of adequate financial resources to put in place some of the critical facilities needed for the reforms and low human resources capacity in almost all the ministries, to manage and implement the reforms.

The underlying assumption is that the African governments were under pressure from the donors to implement policies on an ad hoc basis in order to qualify for another tranche of aid which had far reaching consequences. The need to formulate home-grown policies backed by policy research is paramount and therefore justifies this study.

1.6 Theoretical Framework

Models of the Small, Open Economy

1.6.1 The Problem

The current account balance has been the source of much concern for many developing countries for several years, owing to the fact that a current account deficit has to be met by a corresponding capital inflow (assuming no change in reserves). If this capital inflow is in the form of foreign borrowing, the resulting debt burden (and debt-service payments) may be undesirable. Hence, the focus on the current account deficit is not misplaced. The problem is: given the country Kenya, which is a developing country and has a large and unsustainable current deficit, how can it be reduced?

The model used in this study is:

1.6.2 Keynesian Model for an Open Economy

There is no clear answer to the question because the solution has to address how the different variables that affect the current account balance are influenced by policy instruments.

Therefore a sequence of models, each of which sheds light on a particular aspect of the problem is considered.

We commence with Keynesian macro models (class of models known as fixed-price) named after the economist, John Maynard Keynes. In order to comprehend these, it is crucial to first look at the national income identity from a slightly different perspective. To derive the fundamental national income identity, we have to first draw equality between income and expenditure. The reason for this equality is production.

Expenditure (or demand) causes production to take place which, in turn, generates income. Define Y as total production or income. This has to be equal to production for domestic use, D , and exports, X .

$$Y = D + X$$

Now, total expenditure by domestic residents is equal to D plus imports, IM . This is in turn equal to the different components of expenditure, C and I (ignoring net factor payments and net transfers for the moment).

$$D + IM = C^p + I^p + C^g + I^g$$

Rearranging (II-1) and (II-2), we obtain:

$$Y = C^p + C^g - I^p + I^g + X - IM$$

The first four components of the right hand side of (II-3) are often called absorption, A . Then, (II-3) can be rewritten

$Y = A = CA$ where CA stands for the current account balance. Note that in this case it is the same as the trade balance since we are ignoring net factor payments and transfers.

Note that CA is positive when there is a surplus and negative when there is a deficit. A current account deficit can then be interpreted as an excess of absorption over income: the amount an economy earns from its production exceeds the amount it wishes to demand, or “absorb”. In this way, reducing a current account deficit can be achieved either by increasing income, Y , or reducing absorption, A . To determine how this may be done, it is necessary to specify a model that links Y and A to various policy instruments.

The fixed-price, Keynesian model begins with the identity (II-3) and adds behavioural equations that link consumption demand, C^p , and import demand, IM , to income, Y . In the Keynesian tradition, a consumption demand is allowed to be linear function of income:

$$C^p = c_0 + cY$$

Imports, too, are considered to be linear function of income:

$$IM = IM_0 + zY$$

1.6.3 Assumptions

Note that (II-5) is most realistic when imports are taken to be intermediate goods, so they depend on the scale of production, rather than consumer goods, in which case they may be better modelled as a function of A . The Keynesian models take investment, I , government expenditure,

C^g , and exports, X , to be predetermined, or exogenous, denoted as I , C^g , X , respectively (that is, they are given for the current time period they are the result of previous conditions or of the actions of policymakers and foreign producers, while this model responds to actions by domestic consumers; a variable which is a function of the other variables in the model is said to be endogenous).

Finally, and most importantly, they assume that production, Y , expands at constant marginal costs (this is the fixed-price assumption). (Most production systems are subject to increasing marginal cost—that is, the cost of producing an additional unit of output increases as total production increases.) Thus, there are no capacity constraints in the short-run. If the cost of producing an additional unit of output is fixed, then the price of the final product is fixed. In order for this to be true, the cost of hiring additional labour (wages) must be constant. This is generally true in conditions of unemployment. In this case, we say that labour is available in perfectly elastic supply at a given wage.

Given all these assumptions, the system (II-3) – (II-5) represents a fully specified model of the macro economy. We can solve it to derive multipliers of the response of income and the current account balance to changes in the exogenous variables.

The solutions for Y and CA are:

$$Y = \left\{ \frac{1}{1 - c - z} \right\} (C_0 + I + C^g + X - IM_0)$$

And

$$CA = X - IM_0 - \left\{ \frac{z}{1 - c + z} \right\} (C_0 + I + C^g + X - IM_0) \text{ from } CA = X - IM$$

In words, a one unit increase in government consumption, C^g , say, will increase income by

$$\left[\frac{1}{1 - c + z} \right] \text{ It will also reduce the current account balance by } \left[\frac{z}{1 - c + z} \right]$$

Note that introducing the foreign trade sector reduces the traditional Keynesian multiplier which is equal to $\left[\frac{1}{1 - c} \right]$

This is because imports represent an additional “leakage” from the system which does exist in the closed economy. The impact on the current account balance of an increase in government spending is unambiguously negative: the multiplier is $\left[\frac{-z}{1 - c + z} \right]$

This is presumably part of the rationale behind the almost universal call to cut government spending in countries with large current account deficit. What will the effect on the current

account balance of an increase in exports be? On the one hand, it should improve the balance, since exports are a source of foreign exchange. On the other hand, through multiplier effects, they increase incomes which in turn mean an increase in imports. The total effect is equal to

$$1 - \left[\frac{z}{1 - c + z} \right] > 0$$

Note that although the increased imports dampens the effect of the export expansion, net effect is unambiguously positive

A few observations about this Keynesian model are in order before we leave it. First, when we lower the deficit by lowering investment (or government spending), we contract output. This contraction in output lowers imports, further improving the current account balance. However, when we contract output, in this fixed-price world, we do so by increasing unemployment. The burden of adjustment falls on the unemployed, who are typically among the poorer elements of the population. The second point is that the economy is not capacity-constrained. This is why output can expand and contract without changing prices. If the economy were capacity-constrained, output would not change at all. Instead, prices would do all the adjusting.

1.7 Public Policy

Public Policy can simply be defined as what public administrators' execute³⁶ or it could be a broad government statement which outlines how a government intends to deal with specific social issues to achieve a development goal.³⁷ The process by which these statements are arrived at is referred to as public policy making.

36 N. Henry, *Public Administration and Public Affairs* (New Delhi: Prentice Hall, 2001) p. 292

37 Ng'ethe and W. Owino (eds), *From Sessional Paper no. 10 to Structural Adjustment: Towards Indigenizing the Policy Debate* op. cit. p. 25

The output of public policy-making is more prescriptive and less descriptive when compared to the process of public policy-making. In the analysis of public policy, the output stream tends to stress the policy itself and emphasis is on 'how to improve the content of public policies themselves and how to improve the ways in which public policies are made, with the objective of

forming better policies'.³⁸ However confusion arises when these two concepts of public policy-making and public policy process are interchangeably used.

This confusion arises from the fact the two activities involve a continuous process, from one stage to another, making it difficult to clearly distinguish at which stage one process ends and the other begins...The public policy process involves an elaborate procedure which begins with an identification of the problem to be acted upon by the policy and continues to the suggestion of various policy options which could solve the problem....The public policy-making process on the other hand begins from an identification of the problem to be acted up to by the policy and terminates at the actual policy choice or legitimation.³⁹

1.8 Public Policy Making

Public policy falls within the jurisdiction of a state government or its agents and relates to any rule, plan or action pertaining to issues of domestic national importance.⁴⁰ However the government is not the only organ that has the prerogative of making policies. Other organizations such as Non- governmental agencies, private institutions including individuals, also make policies that direct or govern their actions. "The difference between the two, is that public policy can call on public resources and legal coercion"⁴¹ that others cannot.

Policy- making in Kenya incorporates both approaches (down to upwards and vice-versa), although not in all instances. Under normal circumstances, the actors will comprise of government ministries, departments and agencies that represent her three arms namely-the executive, legislature and the judiciary as the authoritative decision-makers on the policy process and implementation. Other actors include the public, professional bodies, civil society groups, political parties, Think Tanks and the Media basically playing the role of a watch dog.

Public policy-making is a complex process that involves consultations, negotiations and trade-offs in allocating scarce resources for the public good. Public policies are developed within institutions of government to address a public issue through a political process.

38 N. Henry, *Public Administration and Public Affairs* op. cit, p. 302

39 Office of the Prime Minister, *National Handbook for Public Policy Making in Kenya Government of Kenya* (Nairobi: August 2012)p.1

40 *Ibid*

41 *Ibid*

Policy-makers analyse public problems then devise courses of action that attempt to balance competing interests and monitor progress to allow for necessary adjustments. In so doing, they should be guided by the fact that they are accountable to the public and ensure that the decision processes are open and transparent as well as responsive to public concerns.⁴¹

Although several models of policy-making exist, the stages model is commonly used in public policy-making as it minimizes the complexity of policy-making process to “a manageable analytical units facilitating understanding by separating the process into a series of clear and identifiable steps. This enables the policy-maker to focus on the distinct procedures and activities necessary to develop the policy instead of losing oneself in the intricacies of an ad-hoc policy process”.⁴² Initially this model had seven steps but was modified severally into between five and eight stages. However, for the purpose of this study I will look at the five stage model commonly applied by governments, to determine at what point the donors impact on public policy-making.

1.8.1 Agenda setting and Problem Identification:

This first stage involves setting of the agenda and identifying the problem. The process commences by identifying, verifying, analyzing and detailing the problem. However, although problem identification seems to be a straight forward issue, if not properly identified, the government can easily find itself faced with different definitions from its various agencies. A problem can only be effectively solved if there is a consensus on ‘definition of a problem’.

1.8.2 Policy Formulation:

In the second stage, a wide range of options are considered together with lessons learnt from previous experiences. These options are identified, formulated and analysed in workshops with stakeholders. It is at this point that costs and benefits, including political acceptability are considered amongst other things. This is a crucial in the process because while selecting policy options, the question of how much would the policy intervention cost or save the government is critically looked into.

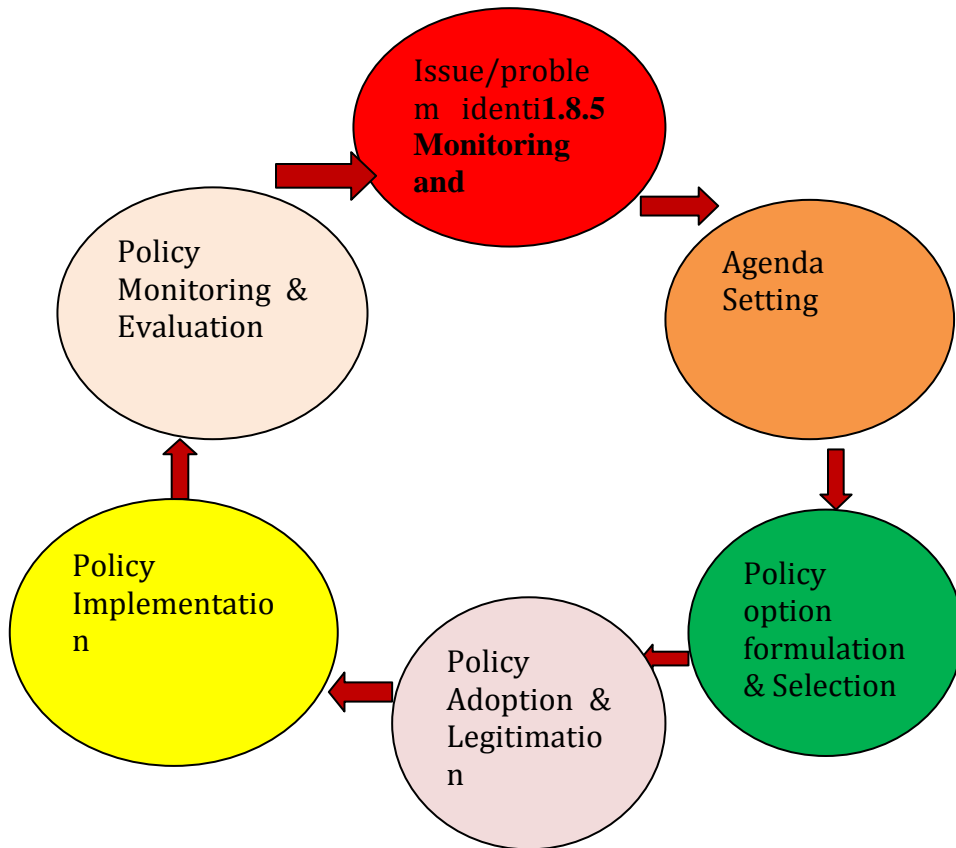
1.8.3 Policy Adoption and Legitimation:

Policy Adoption and Legitimation is the third stage of the process. At this point, a decision is made to formalize the draft policy which is then presented together with a policy analysis to an official decision making organ for endorsement.

⁴¹ Office of the Prime Minister, *National Handbook for Public Policy Making in Kenya Government of Kenya* (Nairobi: August 2012)p.14

⁴²*Ibid*

Policy cycle: figure 1.1



Source: National Handbook for Public Policy Making, August 2012

Depending on the context, the process of legitimation can involve formulating statutes, policy documents, plans or executive orders- to give authority to the policies. Legitimation is the official authorization of the policy decision or policy programme. To obtain public acceptance of new policies it may be necessary to hold public hearings, allow public comment or other administrative procedures, or use voting or referendum.⁴³

43 Office of the Prime Minister, *National Handbook for Public Policy Making in Kenya Government of Kenya* (Nairobi: August 2012) p.19

1.8.4 Policy Implementation:

The fourth stage is policy implementation which entails actual commitment of the government to achieve the intended results. It is at this stage that policies can be reformulated, amended or terminated altogether. This is a crucial phase of the process because the impact a policy will make greatly depends on how it is implemented. Therefore planning for implementation and identifying required resources is paramount in achieving desired outcomes.

1.8.5 Monitoring and Evaluation:

The final component of the stages model is to monitor and evaluate whether the policy's outcomes were relevant to government priorities or not. Basically this plays an important role in giving a feedback to the managers, decision makers and stakeholders on the progress in implementation.

1.9 Hypotheses

The study is guided by the following hypotheses.

1. Foreign aid conditionalities spurs home-grown policies in a recipient country
2. Civil Service Reform Programme alleviates poverty amongst Kenyans
3. Retrenchment of civil servants improves economic growth in Kenya

1.10. Research Methodology

This study will draw from both primary and secondary sources of information. Primary data will be derived from interactive and interrogative interviews with policy makers, the executing agents of the programmes, serving, retired and retrenched civil servants. Secondary data will be sourced amongst others, academic papers, government papers such as development plans, circulars and sessional papers as well as internet, electronic and print media.

The target group of policy makers in the public service for the interrogative interview include Permanent Secretaries and Chief Economists; who will be a representative sample for key policy makers in government.

Descriptive research survey was employed. Kothari (2004) describes descriptive analysis as that method that involves asking a large group of people questions about a particular issue. Information is obtained from a sample rather than the entire population at one point in time which may range from one day to a few weeks. The descriptive design as applied in the study

was used to obtain and describe information regarding the study. The data described was used in formulating a strategy in line with the objectives of this study.

Mugenda and Mugenda (2003) described population as, the entire group of individuals or items under consideration in any field of inquiry and have a common attribute. Thus, if an enquiry is intended to determine the average per capita income of people in a particular city, all the people with some form of income in that city comprised the population. The study used interactive and interrogative interviews with policy makers, the executing agents of the programmes, serving retired and retrenched civil servants to obtain data in relation to the objectives of the study. Secondary data was also sourced from academic papers, government papers such as development plans, circulars and sessional papers. The sample size of this study was 5 policy makers and 14 serving/ retired/ retrenched civil servants.

The study used primary data collected using interview schedules for 5 policy makers. With interview schedules, a respondent's answer gives an insight to his or her feelings, background, interests and decisions; apart from giving substantial information.

Validity as noted by Robinson (2002) is the degree to which result obtained from the analysis of the data actually represents the phenomenon under study. Validity was ensured by having objective questions included in the interview schedule. The study also used construct validity in which it sought to find out if what was tested through the research instruments demonstrated an association between the test scores and the prediction of the theoretical and conceptual framework proposed in this study. The responses were analysed to see if they concur or disprove the proposed theoretical frameworks.

The study used Test-Retest Reliability. To gauge test-retest reliability, the same interview schedules were administered twice at two different points in time. In order to test the reliability of the instrument, internal consistency techniques were applied using Cronbach's Alpha.

The alpha value ranges between 0 and 1 with reliability increasing with the increase in value. Coefficient of 0.6-0.7 is a commonly accepted rule of thumb that indicates acceptable reliability and 0.8 or higher indicated good reliability (Mugenda&Mugenda, 2003).

Data collected was both quantitative and qualitative in nature. The quantitative data was appropriately analysed using descriptive statistics. The descriptive statistical tools were to help the researcher describe the data and determine the extent to be used. This included frequencies, percentages, mean and standard deviations. In addition, advanced statistical techniques

(inferential statistics) were also considered. This was mainly the regression model to test relationship among variables (independent and dependent). SPSS (Statistical Package for Social Sciences), Ms Excel and Likert's type scale were used in analysing the questions. This generates quantitative reports which were presented in conclusions and discussions below. However, both the quantitative and qualitative methods of collecting data have their limitations. The strengths and weaknesses of each are respectively stipulated below. This study has used a mixture of the two since they complement each other.

1.10.1 Strengths of Quantitative Research

The greatest strength of quantitative research is that it produces quantifiable, reliable data that are usually generalizable to some larger population. Quantitative analysis also allows researchers to test specific hypotheses, in contrast to qualitative research, which is more exploratory.

Quantitative Research is pegged on numbers and statistics, thus has the ability to effectively translate data into easily quantifiable charts and graphs.

In quantitative research, one of the major strengths is that what is being studied is not affected by the researcher as he or she is not usually involved with the subject or subjects being studied. What this does is decrease the chances of people's responses or behaviours being affected or influenced by the outside researcher (Gall, Gall and Borg: 2003).

Further, quantitative inquiry claims to be value-free (free from researcher bias, unlike the value-laden qualitative research), but some scholars argue that this is not possible because researchers are humans and cannot be neutral or value free in any circumstance (Stanfield: 2006).

1.10.2. Weaknesses of Quantitative Research

The statistical aspects of a quantitative report can be technical and difficult to distinguish for average readers of educational journals. However the greatest weakness of the quantitative approach is that it decontextualizes human behaviour in a way that removes the event from its real world setting and ignores the effects of variables that have not been included in the model. It also lacks a depth and richness of data that is present with qualitative research. Because there are so many participants using quantitative methods, it is impossible to know the details about each and every one.(Anderson and Taylor:2009).

1.10.3 Strengths of Qualitative Research

Qualitative methods tend to be rich in narrative and description, and instead of providing an outcome they tend to discuss the process. Contrary to the goals of qualitative inquiry,

quantitative inquiry does not attempt to first understand the contexts in which the humans being studied are interacting.

While quantitative data can describe data numerically, it cannot and does not go one step further, as qualitative inquiry does, and first make sense of what is being observed, then understand it, and lastly discover the meaning through detailed explanations that do not exist in quantitative studies (Filstead:1979).

According to Johnson and Onwuegbuzie (2004), qualitative inquiry's strengths include that: it is useful for describing complex phenomena; it is usually collected in naturalistic settings; it is responsive to local conditions and the needs of those studied and those who are informed by the study; the words of the participants lend to further studies into how and why phenomena occur; it allows for the study of dynamic processes.

1.10.4 Weaknesses of Qualitative Research

A weakness of qualitative inquiry, from a quantitative perspective, is that its context-rich, value-laden, narrative-filled reports contain too much fluff and not enough hard evidence. Further, since the researcher is actively involved in the study and is likely passionate about either who is being studied or the context of the study that passion can be, and is, a form of bias and can perhaps lead to an inability to see other explanations for what is taking place (Krantz:1995).

Since qualitative inquiry, by nature, is much more focused on a small population or case, it is criticized for its inability to include a broader range of information in its analyses; it is also negatively noted that qualitative researchers might express personal opinion more than report accurate findings from the study and choose to be selective in what they report as results (Tashakkori and Teddlie: 1998).Due to its narrative aspect, errors can and do occur in all stages of qualitative research. For example, language is the root of qualitative research; because of that, meaning is incredibly important.

That importance is significant because a certain term or phrase might mean one thing to one participant in a study but mean another thing to another participant, and it also might mean something entirely different to the researcher (Gall, Gall and Borg, 2003).In view of the above mixed methods are likely to have the least amount of weaknesses; this is due to the fact that mixed methods research is not limited by 'epistemological, axiological and ontological assumptions that restrain mono-method research'.

Owing to the flexibility to select paradigms that fit the research question, mixed methods essentially give researchers the best of both worlds, but with that freedom comes a great deal of constraints for the researcher, in terms of choosing methods to fit the question, as well as financial and time concerns. Quantitative and qualitative methodologies have their own biases and limitations as separate entities, but when two methods are chosen distinctly because their biases and limitations cancel each other out, the result is triangulation as well as a much more solid study than if just one method was used. (Greene: 1989).

Mixed methods research is flexible in that words can be used to add meaning to the quantitative data and numbers can be used to inform or supplement the words; the researcher can explore a broad range of questions because he or she is not restrained by their research methodology's individual paradigm; finally, it provides stronger concluding evidence through convergence and corroboration of the research findings (Johnson and Onwuegbuzie: 2004).

From the foregoing, the study was successful as nearly all the respondents answered the questions and gave the required details that are gender, age bracket, level of education, job group respondents gave their personal details except a few who did not respond on their net monthly salary . On implementation of Reforms majority of respondents gave their views on package of retiring, service, length, information about employees retrenchment, their preparedness and if the employees had dependants. Majority of respondents also gave their responses on how they were prepared on retrenchment; if they underwent training, if the training was beneficial, in which ways did it benefit them and if it also improved their livelihood. Majority of the interviewees also gave their responses on how they meet their financial obligations, what they earn now as compared to when they were in the public service, how change in income has impacted on their life, if they are able to meet their obligation and if the retirement package was sufficient.

Table 1.1: Statistics

	how do you meet your financial obligations	Do you earn more or less compared to when in service	How change in income impacted on your life	Are you	Was the retirement/retrenchment package
Valid	13	13	14	13	12

Missing	1	1	0	1	2
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1.11 Definition of Concepts

Conditionalities; for the purpose of this study means conditions attached to funds disbursed by international finance institutions.⁴⁴

Foreign aid is “money or other aid made available to third world States in order to help them speed up economic development or simply meet basic humanitarian needs.”⁴⁵

Public policy is a “broad government statement which outlines how a government intends to deal with specific social issues or achieve a development goal.”⁴⁶

Governance is the “establishment of policies, and continuous monitoring of their proper implementation, by the members of the governing body of an organization. It includes the mechanisms required to balance the powers of the members (with the associated accountability), and their primary duty of enhancing the prosperity and viability of the organization”.⁴⁷

44 Harrigan and John Toye, *Aid and Power: The World Bank and Policy Based Lending* (London: Routledge, 1991)

45 J.S. Goldstein, *International Relations* (Washington DC: Longman, 2001) p. 614

46 N. Ng’ethe and W. Owino (eds), *From Sessional Paper no. 10 to Structural Adjustment: Towards Indigenizing the Policy*

Debate (Nairobi: The Regal Press, 1995)

47 <http://www.businessdictionary.com/definition/governance.html>

1.12 Chapter Outline

Chapter One: Background to the Study. This chapter provides an insight into the structure of the dissertation. It lays the background in which the introduction, statement of the problem, objectives, Public Policy, hypotheses, justification, literature review, theoretical framework, research methodology and chapter outline are discussed.

Chapter Two: Debates on Foreign Aid in Africa. This chapter looks at the debates on public sector reforms in Africa; aid and governance; and real peculiarities of African economies. It also explores the various reasons behind slow economic growth in the continent

Chapter Three: An Analysis of Evolution, Sources and Conditionalities of Aid in Kenya. This chapter identifies the evolution of foreign aid in Kenya, sources of aid in Kenya, conditionalities and aid inflow in Kenya and case studies.

Chapter Four: A Critical Analysis of the Impact of Foreign Aid Conditionalities on Public Policy. This chapter focuses on the impacts of foreign aid conditionalities on public policy, main types of conditionalities imposed by foreign aid institutions, donors and ownership, donors domination of policy-making, donors and the fragmentation of the planning process, advantages of having foreign aid conditionalities, and donors' role in respecting and supporting ownership, foreign aid conditionalities impact on the CSRPs, Kenyan government efforts to formulate alternative indigenous policies and the role of think-tanks in the policy making process

Chapter Five: Conclusions and Recommendations

Following the findings in the previous chapter, this chapter offers a conclusion. After assessing these findings, it also proffers recommendations.

CHAPTER TWO

DEBATES ON FOREIGN AID IN AFRICA

2.1 Introduction

The end of the cold war period signified a major paradigm shift by donors, particularly the Bretton Wood institutions in which aid “turned out to be more policy oriented and selective to policy performance because of international commitments and academic insights”¹ Disbursement

of aid to the Third World, and specifically to Africa was delivered as a package with prescribed conditionalities that included public sector reforms, good governance, transparency and accountability, and zero-tolerance to corruption.

Although these conditionalities are given different labels, they are all in essence, inter-linked and encompassed under the general banner of good governance and democracy. The presupposition of the inter-linkages of these debates is that donors expect the recipient countries to reform their Public Sectors and develop human resource in order to spur economic growth. The Public sector is regarded as the catalyst that propels a country's economic growth. However, for purposes of this study I have structured the debates into three categories as follows:

- Public Sector Reforms in Africa
- Aid and Governance in Africa
- Real Peculiarities of African Economies;

This chapter positions the study in these on-going debates with particular emphasis on public sector reforms.

2.2 Public sector reforms in Africa

The current drive to improve management in governments through public service reform programs in order to increase efficiency, effectiveness, and the delivery of quality service to the public is common to many African countries, including Kenya. The public sector has for long enjoyed a pride of place, particularly since the post-industrial revolution era. Public administration moved away from being mere watchmen, to being the engine of the society and become the major provider of various services, including regulatory and distributive ones.

Generally, all societies have some forms of public service provisions for reasons of economics, risk, and moral responsibility. Governments, in many parts of the world, are structurally and constitutionally tied to the civil service, irrespective of the system of government.²

1 Audrey Menard, *Do natural resources condition the aid=governance relationship? Evidence from Africa*: September 28, 2012 p.5

2 A.A. Olagboye, *Inside the Nigerian Civil Service* (Ibadan: Daily Graphics Ltd., 2005) p. 1

2.2.1 Understanding Public Sector Reforms in Africa

Most African countries attained their independence by the end of 1950s and 1960s. Since their independence, the public sector was regarded as the pivot that will promote socio-economic development and the main provider of goods and services to citizens based on the notion that “realization and representation of public interests and its possession of unique public qualities compared to business management”.³ This led to the conceptualization of Public Sector Reforms (PSR) in the continent. While there are different views and definitions of PSR, many researchers view it as the attempt by governments to change ways of doing things. That is why Schacter defines PSR as a means of ‘strengthening the way the public sector is managed’.⁴ On the other hand, Omoyefa asserts that PSR is the total overhauling of government administrative machinery with the aim of injecting real effectiveness, efficiency, hard-core competence and financial prudence into the running of the public sector.⁵

In this regard, the PSR is based on the presupposition that things are not properly managed in the public sector and that unnecessary wastage has crept into the ways the public sector is being run. In real sense however, these might not have been the only reasons for the apparent dysfunction of the public service. Other factors cited for the inability of the public sector to function effectively are the “accumulation of excessive power, lack of accountability and representation, indifference towards public needs and demands, official secrecy and inaccessibility, and role in depoliticizing the public sphere”.⁶ In addition, blame is placed on the economic crises of the late 1970s and 1980s that prompted governments to introduce new approaches to public sector management.

These approaches were drawn from the successful and international experiences of introducing market -friendly-economies into the public sector. These market-like mechanisms have led scholars and practitioners to use a new term to describe governments' role to what they have referred to as the "redefinition of the role of the state or public sector".⁷ Nevertheless, the overall goal of implementing PSR is excellence in performance in public sector management. This rebranding of the public sector is targeted to meet the demands of a rapidly improving and changing global socio-political environment.

2.2.2. Why PSR in Africa?

It is imperative for us to know how PSR enters the governance of African countries. According to Mhone, the call for comprehensive public sector reform was first articulated in the World Bank's 1981 report entitled *Accelerated Development in Sub-Saharan Africa* (also known as the Berg Report).⁸ The focus of the Berg Report is economic growth and development in Africa. The report noted that African economies were witnessing retrogression rather than accelerated growth, and then identified four problem areas that were obstacles to economic growth in Africa.

3 A.A. Olagboye, *Inside the Nigerian Civil Service* (Ibadan: Daily Graphics Ltd., 2005) p. 1

4 M.Schacter, *Capacity Building: A New Way of Doing Business for Development Assistance Organizations*(Ottawa: Institute on Governance, 2000) p. 17

5 P.S.Omoyefa, *The Politics of Public Sector Reforms in Africa*(Lesotho: National University of Lesotho, 2008) p. 26

6 M.S. Haque, 'The Diminishing Publicness of Public Service under the Current Mode of Governance' op. cit. p. 67

7 S.K. Commins, *Africa's Development Challenges and the World Bank: Hard Questions, Costly Choices* (Boulder,

CO: Lynne Rienner, 1988) p. 93

The first problem area concerned poor macroeconomic management in the form of persistent fiscal deficits, negative interest rates, price inflation and controlled exchange rates. The second concerned an over-extended public sector in which ubiquitous parastatals (such as marketing boards, nationalized import substitution industries and so on) were seen to be inefficient entities that squandered resources, while also distorting prices insofar as they had the mandate to control and regulate certain markets seen as strategic by governments. The third set of problems related to management of the trade regime, which was seen to militate against free trade internationally through high rates of protection and exchange rates that overvalued local currencies. A fourth set of problems concerned the fact that many governments that claimed to be socialist were spending too much money on public service itself as a guarantor of employment, on social services and other consumption-related expenditures, which were seen as unsuitable in the long term, especially when the prospects of the growth were dim in the global environment at the time.⁹

The reason for itemizing these factors militating against African economic growth, which PSR is intended to tackle, is to show clearly that the main philosophy behind current PSR in Africa is the vested economic interest of the international donor agencies, and especially the World Bank. We can see that PSR was not designed to tackle malfunctioning of the public sector; it was not meant to evolve a blueprint for the infrastructural development of African states; and neither was it meant to develop the abundant human resources of the continent. Rather, it was an accidental policy derived by the World Bank and UNDP to protect their loans and the credit facilities granted to African countries.

In fact, Polidano and Hulme contend that the overseas aid donor agencies provide much of the funding for reform initiatives, particularly in Africa.

8 G.Mhone, *'The Challenges of Governance, Public Sector Reform and Public Administration in Africa'*, Paper presented at workshop on Building an African Governance and Public Administration Support and Research Agenda, Johannesburg,

17th February 2003 p. 12

9 *Ibid.*, p.13

This power of the purse, plus some quite definite ideas regarding what sort of reforms are desirable, has led donor agencies to take centre stage in the selection and definition of reform projects.¹⁰ Mukandala argues that in essence, the international donor agencies induced African countries to embark on PSR because they would enable African countries to generate enough funds to service the debts they owed to international financial institutions. The government was meant to earn more money through the commercialization of state agencies, parastatals and enterprises. Mukandala argues that this money was not meant to provide infrastructural facilities for the citizen, but to make government financially buoyant enough to continue servicing debts and credit facilities from the World Bank and IMF among others.¹¹

Concurring with Mukandala, Olowu insists that these reforms have not been very successful because of faulty diagnosis and prognosis. They have failed to tackle the major problems confronting African civil services.¹² With the help of PSR, many state-owned enterprises, corporations and companies were privatized in the interests of core investors. The core investors require huge finance to buy up the controlling shares of the privatized companies. The international financial institutions are aware of this fact, which would shut out local players with little financial capability. At the end of the day, multinational companies with their headquarters in Europe and America could buy up those privatized companies.

Even when few Africans have the financial capability, emphasis would be shifted to technical expertise, which would give foreign companies an edge over the indigenous companies. In this regard, PSR worked to empower foreign nationals and to help multinational companies have total control of all the sectors of African economy.

PSR is another subtle way for the developed countries to make incursions into African armed forces and national security for their selfish economic ends. In the name of reform, the developed countries suggest the need for professionalism in the armed forces of African countries. They offer appropriate technical assistance by bringing their officers to train local officers. In the process, they learn the strength and weaknesses of African armed forces, while also condemning these forces' current military hardware as outmoded and urging replacements to be supplied by the so-called developed countries. By this means, they establish ready-made markets for their manufactured arms and ammunition and promote their own economic interest.

Moreover, through PSR, wholly supervised by the international financial institutions and their collaborators, the concept of downsizing and rightsizing is incorporated into the civil service. Through the exercise the best brains in the continent are identified and poached away to Europe and America to help develop their own economies at the expense of African economies. That is why it is so difficult to stem the trend of the brain drain now pillaging African countries.

In summary, Public service reforms, which have taken place in Africa during the last two decades, are part of a global phenomenon that has touched all parts of the world – developed, developing, and countries in transition. Mutahaba and Kiragu posit that while the African leaders innocently and ignorantly accepted the externally induced programs of reforming their public sector institutions as a way of bettering the lives of their citizens, the developed countries that are propellers of donor agencies are interested in re-colonizing African countries through the back donors. It is a subtle way of neo-colonialism and consequent perpetual slavery without realizing it.¹³

On the other hand, the World Bank and the International Monetary Fund among others emphasize that PSR was initiated against the background that governments required a departure from the traditional methods of administration and the urgent need for a renewed public sector to propel government in its quest for sustainable socio-economic, political and technological development. So, there was need for structural re-engineering of the public sector with the infusion of new values of professionalism, accountability, responsiveness and a focused sense of mission for maximum efficiency in the economy.

10 C. Polidano and D. Hulme *'Public Management Reform in Developing Countries: Issues and Outcomes'*Public

Management 1999, Vol. 1 Issue No. 1 pp. 121–32

11 R.Mukandala, *African Public Administration: A Reader* (Harare: AAPS Books, 2000) p. 25

12 B.Olowu, *Redesigning African Civil Service Reforms* (Cambridge: Cambridge University Press: 1999) p. 10

Based on the above, the main objectives of PSR included achieving better delivery of the basic public services that affect living standards of the poor, creating a climate conducive to private sector development and making the state or government institutional apparatus market friendly, lean, managerial, decentralized and “customer” friendly, in the hope that it would better meet its societal objectives of good governance as well.¹⁴ The World Bank however notes that stronger incentives for performance need to be put in place to improve macro-economic stability as well as efficiency. From the above, we see that PSR aims at institutional restructuring of the public sector, with the application of principles obtainable in the private sector as a basis for enhancing the efficiency and effectiveness of public sector institutions.

Arising from this wrong notion of how the public sector should be run and managed is that government, which ought to be in service to the people, is now being seen as a profit-making institution to be driven by market forces. Thomas corroborates this view when he says that only government institutions ‘associated with higher income growth’ are regarded as efficient and effective. In essence, PSR in Africa is carried out with the mind set of seeing government as a profit-making enterprise rather than in service to the people. In fact, that is why we see African leaders talking about a bloated civil service, which needs to be downsized, and the uncontrollable craze to privatize and commercialize all government enterprises.¹⁵

13 G.Mutahaba and K.Kiragu, ‘Lessons of International and African Perspective on Public Service Reform: Examples from Five African Countries’ *African Development*, 2002 Vol.27 Issue no. 3&4 pp. 48-75

14 World Bank, *Governance and Development* (Washington DC: World Bank, 1992) p. 109

15 V. Thomas, *The Quality of Growth* (New York: Oxford University Press, 2000) p. 136

2.3 Aid and Governance

High levels of aid have the potential to improve governance, but they can also work against governance improvements. On the positive side, high levels of aid channelled to governments with clear development agendas can be used to improve the quality of the civil service, strengthen policy and planning capacity, and establish strong central institutions.¹⁶

In their paper *Foreign Aid, External Debt and Governance*, Qayyum, Musleh and Haider explore the inter-linkages among foreign aid, external debt, governance and economic growth in a unified framework. The three suggest that “improvements in the quality of governance will stimulate the output and consumption rapidly...”.¹⁷

They distinguish the difference between foreign aid and external debt and argue that, “Foreign aid has positive impact in economic growth and it is playing constructive role in spurring the economic activity of an economy. External debt has a negative impact on economic growth and it’s a burden that puts an economy into trouble.”¹⁸

According to them, good governance is crucial in determining the ‘destination of a country’ because poor governance is a major hindrance to developing countries towards achieving economic reform and development. On the basis of their study, the three recommend that developing countries should finance budget through foreign aid and not depend on the external debt as it affects the economic activities adversely. They emphasise that a government will have good economic growth if it focuses on the institutional quality and effectively utilises foreign aid.

In his paper, ‘*Do natural resources condition the aid-governance relationship? Evidence from Africa*’, Menard shifts the debate on aid and governance from ‘*whether* aid improves governance to *why* aid does (not) improve governance’. He argues that, in order to determine whether foreign aid affects the quality of governance in a recipient country, there is a need to “differentiate between bilateral and multilateral donors and investigate the effect of aid conditionality on natural resources”.¹⁹

Menard maintains that multilateral aid is much more effective at improving governance in recipient countries that are not major oil producers. According to him aid allocation is determined by the type of donors disbursing aid and regards both oil and aid resources as transfers to government.

He concedes that relationship(s) between aid and governance can be influenced by domestic conditions such as size and the type of natural resources, and expounds that resource-rich countries may manage foreign aid inflows just as resource rents are managed.

16 D. A. Brautigam: *Stephen Knack-Foreign Aid, Institutions, and Governance in Sub-Saharan Africa: Economic*

Development and Cultural Change: January 2004.p.260

17 Unbreen Qayyum, Din Musleh Ud and Adnan Haider: *Foreign Aid, External Debt and Governance*: Pakistan Institute of

development Economics, Islamabad, Pakistan, Monetary Policy Department, State Bank of Pakistan, Karachi, 25th July

2012 p. 1

18 *Ibid* p.17

19 *Ibid* p.24

In his findings, Menard notes that ‘Both bilateral and multilateral aid effects are conditioned by dependence on natural resources’, and ‘both oil and aid resources are transfers of governments’. He suggests that a ‘big push’ strategy could be pursued by Foreign donors, ‘concentrating large resources allocated by multilateral agencies in favourable environment namely in oil-poor countries’ that will enhance governance hence ‘generate externalities across Africa’ to reduce poverty.

He concludes: Evaluating what exactly makes multilateral aid work better than bilateral aid, would inform about complementary policies that would enhance the multilateral aid effects on governance in recipient countries.²⁰

However, Kangoye approaches the debate from a ‘political economy prospect’ angle, of the uncertainty of foreign aid and its effects on governance. He investigates the effect of aid unpredictability on rent-seeking behaviours in aid recipient countries and how it “can potentially increase corruption in recipient countries through incentives from political leaders that are risk averse, “who engage in rent-seeking activities”.”²¹

Kangoye argues that aid unpredictability renders a recipient country’s “fiscal planning and implementation of development agenda extremely difficult, since aid commitments have shorter

terms than governments' development planning".²² Hence, there is no ownership of development programmes by recipient countries simply because they "rely on uncertain funds".

2.4 Real peculiarities of African economies

Collier and Gunning suggest that "while the binding constraint upon Africa's growth may have been externally oriented policies in the past, those policies have now been softened. Today, the chief problem is those policies which are ostensibly domestically-oriented, notably poor delivery of public services."²³

In their view, there is a need to intensify policy reform effort because domestically-oriented problems are 'much difficult' to address than exchange rate and trade policies. They further attribute Africa's problems to demographic and geographic characteristics. They believe public policies could have reinforced Africa's comparative advantage in natural resource exports thus rendering manufacturing uncompetitive relative to resource extraction. The prevalence of natural resources may bring forth a variety of other policy errors; as well...it may worsen policy by turning politics into contest for rents or, through crowding out manufactured exports, prevent the emergence of potentially the most potent lobby for openness.

20 A. Menard *Do natural resources condition the aid-governance relationship? Evidence from Africa*: September 2012 p.24

21 T. Kangoye, *Does Aid Unpredictability Weaken Governance? New Evidence from Developing Countries, Working Paper Series No. 137 African Development Bank, Tunis, Tunisia*: (2011), p.4.

22 *Ibid* p.5

23 P. Collier and J. W. Gunning "Why Africa Has Grown Slowly" *Journal of Economic Perspectives* Vol. 13, No. 3:(1999)

p.20

Collier and Gunning maintain that apart from fixed effects such as geography, policies are also impacted upon by experience hence: societies which have experienced high levels of economic risk may place higher priority on income-sharing arrangements such as expanded opportunities of public employment, rather than focusing on income generation.²⁴

They advocate for Africa to come up with “examples of success’ that will serve as a benchmark to the rest of the African states so that “the scope for societal learning across the continent will make it unlikely that Africa is “destined” to poor policies by its geography: although its geographic characteristics may have given it some weak tendencies towards poor policies in the initial post-independence period.

However Mwendwa differs with them and questions the concept of “success story”. He uses Uganda as an example, which in the 1990’s significantly implemented economic reforms and was thus hailed as “an economic success story” that “brought the country debt relief and increase in foreign aid.” He argues this foreign aid which accounted for “50 per cent of the Uganda government’s budget,” was actually “unearned revenue,” that permitted “the government to avoid accountability to Uganda citizens.²⁵ He states that Uganda’s debt from independence in 1962 up to 1998 stood at US \$ 3.2 billion but five years after the HIPC debt relief of US \$ 2 billion, the debt rose to US \$ 4.9 billion. Mwendwa points out that “over 90 percent of Uganda’s debt was incurred during the implementation of World Bank and IMF sponsored economic reform policies of stabilization and structural adjustment, beginning 1981”,²⁶ yet despite all this, Uganda was still unable to repay her debts.

Sachs and Warner on the other hand, suggest that part of the explanation for Africa’s slow growth lies with natural factors such as limited access to the sea, natural resource abundance, and tropical climate.

However at the same time they observe that, "... basic economic policies such as openness to international trade, government saving and market-supporting institutions have had an even larger quantitative impact on economic growth rates," and conclude that "differences in life expectancy and demographic factors help account for Africa's slow growth compared to other developing countries".²⁷ They concede that African countries that adopted serious pro-growth economic reforms registered formidable growth rates.

However Sachs and Warner are pessimistic that despite policy changes, "African economies will continue to suffer from at least three structural conditions: land lockedness for fewer than 14 economies (representing around one third of the African population); a high natural-resource dependence,.....and lower life expectancy, probably linked to the very difficult geographical conditions in tropical Africa".²⁸ They recommend the international community should finance infrastructure in landlocked countries to enable "efficient, low-cost transport to coastal port facilities" and also mediate in political conflicts that impede market access in these countries.

24 P. Collier and J. W. Gunning "Why Africa Has Grown Slowly" Journal of Economic Perspectives Vol. 13, No. 3:(1999)

p.16

25 A. Mwendwa, *Foreign Aid and the Weakening of Democratic Accountability in Uganda*. Foreign Policy Briefing No. 88,

CATO Institute: 12th July 2006 p. 5

26 *Ibid* p.5

27 J. D. Sachs and A. M. Warner "Sources of Slow Growth in African Economies" Journal of African Economies Vol. 6,

Number 3:(1997) p.26

They further advise the continent to benchmark with successful resource-rich developing countries such as Chile and Malaysia “to identify the best strategies for managing resource wealth while spurring the growth of non-traditional exports....the health deficit in tropical Africa needs to be addressed through a combination of enhanced social policies.....as well as increased scientific efforts to control or eradicate major tropical diseases such as malaria.”²⁹

A year later Sachs teamed up with Bloom to call on economists and donors to focus their attention more on the roles played by peculiarities such as geography and demography, in Africa’s economic growth problems, with a view of devising effective strategies that will alleviate ‘human misery’ that perpetually haunts the continent. They prescribed a paradigm shift for Africa’s economic development which stipulated the need for serious “commitment to policies and institutions that promote manufactured exports’. They believe it was this strategy that propelled the East and South Asia countries to economic growth. According to them International competitiveness in manufactures requires a set of effective institutions...linking the domestic economy with world markets. These have not been fostered adequately by the World Bank and IMF programs of recent years: more direct focus on export diversification and manufacturing sector competitiveness is needed.³⁰ Mutua concurs with Collier and Gunning on ‘destiny’ as one of the peculiarities afflicting African economies. He maintains that Africa’s woes of slow growth should not be the only reason attributed to marginalisation of the continent in the world economy. Other factors such as “tropical geography, demography, and public health,” have also played a considerable role in abating the problem, which have hampered economic growth in countries like Kenya. He recommends that in order for Kenya and other countries to move forward, “there is need for much analysis of all aspects such as demography, agronomy, ecology, geography and economics.”³¹

28 J. D. Sachs and A. M. Warner “*Sources of Slow Growth in African Economies*” Journal of African Economies Vol. 6, Number 3:(1997) p.27

29J. D. Sachs and A. M. Warner “*Sources of Slow Growth in African Economies*” Journal of African Economies Vol. 6, Number 3: (1997) p.28

30 D.E. Bloom and J.D. Sachs “*Geography, Demography, and Economic Growth in Africa*”: Brookings Papers on Economic Activity, Vol. 1998, NO. 2 p.272

31 P.Mutua The role of real peculiarities of African economies in the design and implementation of short term policies and long term development initiatives- A case study of Kenya: (June 2012) p.2

Some of the peculiarities that impacted on Kenya were ‘constraining factors’ that negatively affected the country’s economic growth and development resulting in high inflation rates. A glaring example that heavily affected Kenya’s economy is the post-election violence. The aftermath of 2007 general elections “watered down the gains of ERS which yielded an economic growth of 7% and an increase in real per capita at annual average rate of 3%, decline in poverty levels from 56.8% to 46% in 2006. As a result, instead of the economy growing at the projected 7% in 2008, it only grew by 2.3%”.³²

2.5 Overview of the Chapter

The UN publication, World Public Sector Report: Globalization of Public Sector Reform, 2005 indicates that past approaches and strategies at reforms of the public service in Africa have a rather dogmatic and technocratic approach which failed to take account of the complexities of particular national circumstances and over-emphasized one facet of reform (for example, cutback management) over all others. PSR in Africa correspondingly pressed for “one best way” solutions which earned it the description: “one-size-fits-all”. What are needed are customized approaches to meet the diverse needs of individual countries. In fact, as rightly pointed out, an overly technocratic or purely economic growth approach to institutional development divorces the institutional strategy from the socio-economic strategy and political environment which it is meant to serve.

The donor community cannot remain oblivious to the fact that conditionality tends to undermine a country’s ownership of reforms rather than promote it. Ownership cannot be imposed through financial leverage and conditionality. Ownership will remain elusive until and unless there is a widespread acceptance of policies and political will among the country’s political leadership and people at large.³³

Moreover, when a huge amount of aid is channeled to a recipient country, the expected impact can go either way. If disbursed to “governments with clear agendas” then it “can be used to improve the quality of the civil service, strengthen policy and planning capacity, and establish strong central institutions”.³⁴

Unfortunately, the donor community, particularly the Bretton wood institutions, has a narrow approach towards governance. They tend to focus more on governance in the context of government institutions and structures instead of widening their scope to include both state and non-state actors. Recipient countries with ‘good governance’ seem to get aid easily in comparison to those with ‘bad governance’ who are slammed with harsh conditionalities.

Aid can also hamper good governance by weakening the same institutions “through the high transaction costs that accompany aid, the fragmentation that multiple donor projects and agendas promote, problems of “poaching”, obstruction of opportunities to learn, and impact of aid on the budget process.”

Failure for a country to achieve economic growth is however caused by a myriad of other problems and cannot be confined to weakened institutions. Kenya, just like many other sub-Saharan African countries, has had a number of peculiarities that have been a hindrance in the design and implementation of short term economic policies and long term development initiatives. In the analysis of Collier and Gunning (1999), the reasons behind slow African growth, is grouped as policy and exogenous destiny on one hand, and domestic and external factors on the other. Kenya is neither exceptional in this categorisation and a similar criteria is used in identifying these peculiarities to assess the role they had in the country’s development path since she gained independence.

³² Office of the Prime Minister, Government of Kenya- *Draft Public Sector Reform Strategy*, (Nairobi: 2012) p.6

³³ K. Singh *Public Interest* Research Group (India): (January 2003) p. 17

³⁴ D.A. Brautigam: Stephen Knack-*Foreign Aid, Institutions, and Governance in Sub-Saharan Africa: Economic Development and Cultural Change*: (January 2004) .p 260

It is therefore possible for one to conclude that most of the strategies pursued by African states to reform the public service have not been able to achieve their desired outcomes because of political, historical, economic, institutional, cultural and other environmental constraints. The characterization of the 1980s as the “lost decade” and of the 1990s as a “mixed bag at best” gives the measure of the distance between expectations and outcomes of reform efforts in Africa.

While on one hand, multilateral institutions such as the World Bank are interested in designing strategies or conditionalities to restructure African economies and political systems in the image of the northern industrialized democracies, others such as the African Development Bank (ADB) are interested in “home-grown” African solutions or strategies. The next chapter evaluates the foreign aid inflow into Kenya between 1990 and 2012 highlighting the highs and lows of the country in receiving and appropriating aid. Aid conditionalities and how the country heeded to them will also be reviewed. The analysis here will centre on economic conditionalities, political conditionalities, good governance-related aid flows, and criticisms of the conditionalities.

CHAPTER THREE

AN ANALYSIS OF EVOLUTION, SOURCES AND CONDITIONALITIES OF AID IN KENYA

3.1 Introduction

This section of the study presents and analyses the history of aid flows to Kenya over the period 1990-2012. Development aid comprises those resources provided by donors to recipients, which fits the definition given by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). It comprises both direct financial aid and technical cooperation or technical assistance (TA). The latter consists largely of grants to nationals of aid-receiving countries for education or training, often conducted outside the national's country, and the cost of consultants, advisers, administrators, teachers, and so on, hired to work in the aid-recipient country, as well as equipment furnished to facilitate the transfer of skills, technology and experience.³⁵ The major aim of this chapter is to evaluate historically the aid flows into the country, the sources of aid and the sectors into which these flows are received. This chapter evaluates the foreign aid inflow into Kenya between 1990 and 2012 highlighting the highs and lows of the country in receiving and appropriating aid. Aid conditionalities and how the country heeded to them will also be reviewed.

3.2 Evolution of Foreign Aid in Kenya

This section attempts to analyse the history of the flow of donor aid into Kenya since 1990 up to 2012. During the early post-independence period, Kenya was well favoured by the donor community. The country followed a capitalist, open market approach during years when the governments of most other sub-Saharan African countries were bringing much of industry under state control and otherwise heavily intervening in their economies. Although corruption was always present, it initially seemed that this was less prevalent than in many other states in the sub-continent. Kenya's political and economic interests were clearly allied with the West, and OECD countries – most notably the UK, as the former colonial power – were keen to

³⁵Organization of Economic Cooperation and Development (OECD), *Managing Aid: Practices of DAC Member Countries* (Paris: OECD, 2005) p. 2

maintain this allegiance (Mwega: 2009). By consequence, total aid to Kenya rose steadily in nominal terms from Independence until around 1990, in which year more than \$1 billion was provided in development aid (Table 3.1). The whole section will keep referring to the table for in depth analysis of the trends depicted by aid flow into Kenya.

Table 3.1: ODA to Kenya (1966-2012)

Source: DAC of OECD: Kenya-Net Official Development Assistance and official aid received

Year	NET ODA RECEIPTS IN USD Millions	Year	ODA	Year	ODA
1966	55,410,000	1986	442,960,000	2009	1,776,200,000
1967	36,710,000	1987	557,220,000	2010	1,628,570,000
1968	60,710,000	1988	832,030,000	2011	2,474,230,000
1969	55,810,000	1989	1,059,700,000	2012	
1970	57,350,000	1990	1,181,290,000		
1971	66,850,000	1991	916,460,000		
1972	71,860,000	1992	883,140,000		
1973	94,970,000	1993	914,390,000		
1974	116,580,000	1994	676,630,000		
1975	124,820,000	1995	731,850,000		
1976	154,600,000	1996	595,020,000		
1977	160,760,000	1997	448,620,000		
1978	245,610,000	1998	415,210,000		
1979	348,340,000	1999	310,470,000		
1980	394,790,000	2000	512,720,000		
1981	448,150,000	2001	471,230,000		
1982	484,600,000	2002	392,810,000		
1983	396,100,000	2003	523,000,000		
1984	408,430,000	2004	660,240,000		
1985	426,660,000	2005	759,200,000		
		2006	946,700,000		
		2007	1,326,780,000		
		2008	1,365,960,000		

There are obvious reasons why Kenya has received such a large inflow of aid over many years from such a wide range of aid partners. The primary motivations for providing aid are developmental (to promote economic growth and poverty alleviation in poor countries), commercial (to cement commercial and financial relations with the aid recipient—opening markets, assuring opportunities for investors, contractors and suppliers from the aid-giving country) and political (to maintain the allegiance of governments that are politically aligned with the aid-giver—a particularly prominent feature of aid relationships during the “Cold War” era.)³⁶ Kenya, since her independence in 1963, was a logical candidate to receive aid for all of the above reasons. First, the government’s management of the economy was prudent and the economic track record was relatively good, at least through the 1970s, and, despite a mixed record on economic policy reform and macroeconomic outcomes in the 1980s, still relatively better than most of SSA. Kenya was for many years a relatively attractive locale for foreign investment, at least within the SSA context, especially for consumer goods industries targeted at the East African market—prior to the collapse of the East African Community (EAC) in 1997. And throughout the years of the Cold War, Kenya consistently aligned itself with the West both economically and politically. However, the end of the Cold War in 1989, which essentially eliminated the geopolitical motivation for aid, coincided with a weakening of economic reform efforts and deterioration in economic performance in Kenya in 1989-92.³⁷

The symbolic end of the Cold War in 1989 with the fall of the Berlin Wall was followed by abrupt change of regimes in a number of former Communist countries. For the most part the Cold War had kept the focus of Western donors on supporting allies and undermining leftist regimes in Africa. Kenya was seen as a stable country in a turbulent region where Uganda and Sudan had experienced civil wars, and Somalia and Ethiopia (at different times) had received military aid from the Soviet Union. Kenya was a pro-market capitalist state. After the Cold War the West began applying a somewhat tougher standard to the behaviour of former non-Communist authoritarian regimes in terms of human rights and democratization.³⁸

³⁶Maizels Alfred and NissankeMachiko, ‘Motivations for Aid to Developing Countries’ *World Development* Vol. 12, No.2, 1984, pp. 879-900:893

³⁷Hazlewood Arthur, ‘Foreign Aid and Economic Development in Kenya’ in Lele Uma and IjazNabi, (eds), *Transitions in Development: The Role of Aid and Commercial Flows* (San Francisco: ICS Press, 1991) pp. 16-29:18

³⁸Mosley Paul, Jane Harrigan and John Toye, *Aid and Power: The World Bank and Policy Based Lending* (London: Routledge, 1991) p. 15

Through much of 1990 and 1991, the United States, particularly U.S. Ambassador Smith Hempstone, complained, sometimes publicly about human rights abuses. A political officer at the U.S. embassy suggested to one Kenyan activist that formation of a unified opposition group would be a good idea. Hempstone warned the Moi regime in May 1990 that future aid money would likely be concentrated on nations supporting human rights and democratization. And the United States was beginning to back up his words, holding up funding: first \$5 million in August 1990, then \$25 million in November specifically pending human rights reforms.

In the months leading up to the freeze in late 1991 on new funds, donors were often inconsistent, sometimes increasing funding, sometimes slowing it down; some donors praising the regime, others condemning it. It was only after dramatic mass public protests that they finally united, temporarily, to cut off funds. The freeze of aid in 1991 therefore followed a poor reform record in relation to multi-partyism, human rights and political governance and it sparked a downward trend in external assistance.³⁹ According to the World Bank, donors conditioned a resumption of aid to the early implementation of political reform, which included greater pluralism, the importance of the rule of law and respect for human rights, notably basic freedoms of expression and assembly, and firm action to deal with issues of corruption.⁴⁰ President Moi surprised his supporters in December 1991 and approved the return to multi-party elections just a week after donors at a consultative meeting in Paris froze new funds to Kenya pending economic reforms.⁴¹ Despite this move, aid deteriorated 883,140 in 1992 and continued to dwindle for about USD 100 million for three consecutive years.

By 1995 aid levels had picked up and yet many of the democratization reforms that one would expect to have accompanied a change from a one-party system to a multiparty system, such as freedom of speech and assembly, were still significantly limited by the regime. This did not last for long since in 1996, donors accused Kenya of backsliding on agreed reforms leading to proliferation of more aid conditionalities. In mid-1997, the International Monetary Fund (IMF) suspended the ESAF programme due to unsatisfactory handling of the Goldenberg scandal. The World Bank also closed the Structural Adjustment Facility without releasing the second tranche.

³⁹World Bank, *Assessing Aid* (New York: Oxford University Press, 1998) p. 71

⁴⁰Brown Stephen, *'Donors' Dilemmas in Democratization: Foreign Aid and Political Reform in Africa'* 2000 PhD dissertation, New York University

⁴¹Brown Stephen, *'Authoritarian Leaders and Multiparty Elections in Africa: How Foreign Donors Help to Keep Kenya's Daniel Arap Moi in Power'* *Third World Quarterly* 2001, 22 (5)pp725- 739:728

In 2000, drought related emergency relief activities accounted for an increase in donor aid from 603.75 in 1999 to 784.33 in 2000.⁴²

Moreover, the IMF imposed another freeze in 2002, ostensibly for economic reasons but with the claim that Kenya is unable to root out corruption in its governance system, followed by protracted negotiations with the Kenyans to restore aid. In February 2003, the European Union warned in a statement that its aid to Kenya was in jeopardy and said that institutions created to fight corruption had been impeded in their operations. In the same year, following a successful CG meeting in which donors were pleased with Government of Kenya's commitment to fight severe corruption there were commitments to disburse aid with conditions such as: implementing reforms spelled out in the ERS, completing the new constitution, combating corruption, pursue civil service reforms, privatisation of state owned enterprises, trade reforms, and separation of policy formulation from regulation in the management of financial institutions.⁴³

3.3 Sources of Aid into Kenya

Foreign aid represents an important source of finance in most countries in sub-Saharan Africa (SSA), where it supplements low savings, narrow export earnings and thin tax bases. In recent years the donor community has become more stringent about fiscal discipline and good policies, which has led to freezing of donor funds to governments that do not conform with aid conditionalities. Kenya has received heavy inflows of aid in the past, with gross ODA inflows rising from an annual average of around US\$ 200 million in the 1970s to over US\$600 million in the 1980s and to slightly over US\$1 billion in 1990–96.⁴⁴ (These last two figures include a significant amount of forgiveness of previous ODA debt.) Kenya has succeeded in attracting aid from all members of the donor community, both bilateral and multilateral. While ODA flows have diminished somewhat in recent years, at the peak in the early 1990s net aid inflows reached almost US\$40 per capita, and were equivalent to 14% of GDP and to approximately 45% of the government budget. Since 1980 a significant proportion of this aid has come in the form of balance of payments support for structural adjustment—16% in 1980–96. While the share of bilateral assistance provided in this form was lower, for the World Bank over the same period it accounted for 43% of total lending.

⁴²O'Brien F. S. and Terry Ryan, *Aid and Reform in Africa* (Washington: World Bank, 2001) p. 94

⁴³WafulaMaasai et al, *Official Development Assistance Flow into Kenya* (Nairobi: African Centre for Economic Growth, 2006) p. 2

⁴⁴Republic of Kenya, *Economic Survey 2000*(Nairobi: Central Bureau of Statistics, 2000) p. 50

Kenya has received approximately three-fourths of its total aid from bilateral donors, with no distinct trend toward greater reliance on either multilateral or bilateral donors. The share of multilateral aid increased moderately in the 1980s, primarily due to the large disbursements of World Bank adjustment lending, but the bilateral share rose again in the 1990s with the decline in new adjustment lending after 1991.⁴⁵ Bilateral aid has been predominantly in the form of grants—72 per cent of the total—with the share of grants actually increasing in recent years, whereas multilateral aid has been predominantly in the form of loans—86 per cent. The principal source of multilateral loans has been the World Bank Group (WB), accounting for almost 80 per cent of total loans in the 1970-2004 period, with the African Development Bank (ADB) accounting for 11 per cent.

While the overall shares of multilateral and bilateral aid sources have not changed markedly over time, there have been significant changes within the two categories. The World Bank, which accounted for 20 per cent of total flows in the 1970s and 1980s, has seen its share of total disbursements reduced to 16 per cent in the 1990s, due to the growing importance of certain bilateral donors, the significant reduction in disbursements for balance of payments support since the early 1990s, and a shrinking portfolio of project loans. The other principal multilateral agencies, the ADB and the European Commission (EC), have each contributed a much smaller share of Kenya's ODA.⁴⁶

With respect to bilateral assistance, Kenya has for many years received aid from virtually all aid-giving nations and agencies. In addition to those already mentioned above, it has received aid from Australia, Austria, Belgium, China, Ireland, Korea, Spain, Switzerland and various Middle Eastern governments and aid agencies. Among the most notable trends within the bilateral group has been the decline in the share of the United Kingdom, which was Kenya's leading development partner in the immediate post-Independence years of the 1960s and early 1970s. The nominal value of UK aid has risen only modestly over the years, from an average of US\$37 million per annum in the 1970s to US\$62 million per annum in the 1980s, falling back to US\$55 million per annum in the 1990s and US\$ 57 thereafter. Over this same period Japan's annual average ODA to Kenya increased from insignificant levels in the early 1970s to US\$60 million per annum in the 1980s and to US\$170 million per annum in the 1990s and dropped to

⁴⁵WafulaMaasai et al, *Official Development Assistance Flow into Kenya* op. cit., p. 23

⁴⁶Earthscan, *The Reality of Aid* (London: Earthscan, 2000) p. 9

US\$ 150 million after 2000.⁴⁷ This is not an unmixed blessing however, since Japanese aid (and the French) has a higher share of loans to grants (60 per cent loans in the 1990s) than the rest of Kenya's ODA. Another significant trend has been the declining share of many medium-sized donors, including the Scandinavian countries, Canada and the Netherlands. Sweden's aid actually fell in nominal terms, from an average of US\$25 million per year in the 1980s to US\$23.5 million per year in 1990-96. The trend was even more pronounced for Norway (with which Kenya actually broke diplomatic relations during 1990-95) whose aid disbursements fell from US\$25 million per annum in the 1980s to US\$2.5 million per year in 1992-96.

3.4 Conditionalities and Aid inflow in Kenya

The aid agencies transfer resources to the Government of Kenya through three different modalities. First, they fund a large number of projects on a grant or loan basis. Second, they provide general or sector-specific budgetary support or commodity assistance in return for Government agreements to carry out specified structural adjustment measures. Third, they place political and economic conditionalities on the Government, Conditionalities that, if not met on a timely basis, could lead to reductions in current and future foreign aid allocations. This section of the chapter presents case studies that highlight how, under each of these modalities, foreign aid was meant to affect government decisions.

Project and Program Modality: In the 1991/92 fiscal year, the Government's Development Budget carried line items for 2,528 projects, of which 654 were funded on a grant or loan basis by aid agencies.⁴⁸ In effect, Government personnel, aid agency professionals, and the expatriate advisors of consulting firms were implementing well over 2,000 foreign aid funded projects in 1991/92.

Structural Adjustment Modality: Several important support loans listed in the Development Budget were not project activities. Rather, they were general- or sector-specific soft loans tied to significant structural adjustment agreements, most of which were provided by the World Bank and the IMF. In 1991/92 the Government was formally committed to carrying out over 150 such agreements.⁴⁹

⁴⁷Ministry of Foreign Affairs of Japan (MOFA), *Japan's Official Development Assistance Charter*, 2005 available at <http://www.mofa.go.jp/policy/oda/reform/revision0308.pdf>

⁴⁸Republic of Kenya, *Public Investment Programme*(Nairobi: Government Printer, 1991) p. 32

⁴⁹Republic of Kenya, *'The Status of Donor Conditionalities'Internal Memorandum*, July 5, 1992

These ranged from sweeping tasks, such as privatization of parastatals or civil service reform, to very specific tasks, such as keeping the budget deficit below five per cent of GDP or introducing monthly expenditure reporting systems into the financial operations of ministries, agencies, and parastatals. Many of these agreements were designed to force the Government to terminate policies that were ‘holding back economic growth’.

For this reason, powerful members of the President’s coalition were opposed to structural adjustment requirements that they be reformed or ended. So strong was this resistance that by late 1991 the aid agencies, led by the IMF and the World Bank, had concluded that Kenya’s record of compliance with its structural adjustment agreements was poor.⁵⁰This failed compliance led to the third modality: conditionality.

Conditionality Modality: The conditions imposed by the aid agencies were not related to the provision of additional funding. In a sense, this is a false funding modality. There were two types of conditions. The first simply made it clear that there would be a reduction of foreign aid if structural adjustment agreements were not carried out on a timely basis. The second added quite general and highly political requirements. These conditions were introduced because they were seen as essential to getting the Government to terminate or reform policies that threatened aid agency investments and held back development and economic growth. Foremost among the second type of conditionality were demands that the Government amend the constitution and issue legislation that would allow the emergence of a dynamic multiparty political system, support the emergence of a free press, aggressively ensure the protection of human rights, and address pervasive and significant high-level corruption in Government.

All the officers interviewed were in a unanimous (87.7%) agreement that the International Monetary Fund terms and conditions for a country to qualify for foreign aid have made countries not to take lead in the process which is against good governance. It also revealed the developing countries in a bid to sustain their political and economic ambitions tend to accept any conditionalities set.

3.5 Case Studies of Civil Service Reforms in Kenya

The three foreign aid modalities described above, namely projects, structural adjustment agreements, and conditionalities, are used to organize the case studies that follow. This study is

⁵⁰Paul Mosley, Jane Harrigan, and John Toye, *Aid and Power: The World Bank and Policy-Based Lending Analysis and Policy Proposals* (London: Routledge, 1991) p. 107

interested in structural adjustments and Conditionality modalities which seem to influence the policy making process.

Historically, conditionality is a strategy development agencies have employed in an attempt to counter the potential for misuse of foreign aid. Conditionality is best defined as a set of requirements, determined in the grant or loan agreement, which must be implemented prior to further disbursement of the loan or grant.⁵¹

Although the initial screening process is not selective, countries generally bind themselves (at least nominally) to an agreement with the organization disbursing the loan. The loan will then be disbursed in stages, with each new disbursement contractually conditioned upon fulfilment of the agreed-upon obligations.

Conditions are found in project and program agreements and in structural adjustment agreements- but these are conditions spelled with a small “c.” The conditionalities referred to here relate to major economic and political requirements that must be met in order for funding of projects and programs to continue. These conditions are designed to move a reluctant government toward reform. This is conditionality spelled with a big “C.” The IMF has been one of the most influential organizations to employ conditionality in its funding, because it disburses loans, not grants. They have an incentive that would not be present with grants - to ensure that their shareholders are repaid. The IMF also makes the claim that by adhering to the conditions they propose, a country will achieve greater economic growth and poverty reduction.

Several justifications are given for the IMF’s use of conditionality in loan disbursement. These include: (i) “inducement (encouraging governments to do things differently than they otherwise would have) (ii) selectivity (ensuring that assistance is provided only to countries with a good policy environment); (iii) paternalism (ensuring that it is used in a good policy environment); (iv) restraint (locking governments into approved policy reform) and (v) signalling (providing information that would be expensive for private agents to collect and interpret. These justifications assume both that the IMF is the best party to determine what steps a country should take to achieve economic growth and that a country will implement those conditions fully.

Since the early 1980s, structural adjustment has been closely identified with the role of the International Financial Institutions (IFIs) in fostering policy reforms in the developing countries.

⁵¹Doug Johnson & Tristan Zajonc, ‘*Can Foreign Aid Create an Incentive for Good Governance? Evidence from the Millennium Challenge Corporation*’ Working Paper Series John F. Kennedy School of Government April 2006

Structural adjustment in Kenya started as early as the mid-1970s. However, SAPs did not become an important part of economic management until after the publication of the Sessional Paper No. 1 of 1986 since they were mainly involving tinkering with the economy without changing it much. Thus up to the end of 1980 Kenya's economy continued to resemble the command economies of such countries as Tanzania, with a plethora of chocking regulations and controls on most markets and economic activities. Bold adjustment measures were taken towards the end of 1980 and involved, inter alia, decontrol of prices in the economy, removal of subsidies and devaluation and later floating of the Kenya Shilling.

According to Stanley Behrman there are two types of adjustment policies; the short run or microeconomic adjustment, which means basically adjusting to living within your means; and structural adjustment, which means changing the structure of our economy to enable your means to grow more rapidly.⁵² Thus structural adjustment programmes consist of a set of economic policies designed to generate rapid and sustainable economic growth with macroeconomic stability. SAPs that evolved over the time initially focused on eliminating fiscal and external imbalances and reviving growth.

The implementation of SAPs involved the following main subject areas: the liberalization of prices and marketing systems; financial sector policy reforms; international trade regulation reforms; government budget rationalization; divestiture and privatization of parastatals and civil service reforms.⁵³ The key ingredients of structural adjustment programmes are based on an economic model of private ownership, competitive markets and an outward-oriented development strategy. Developing free and competitive markets and liberalizing the price systems are necessary for allocation efficiencies. A stable macroeconomic environment is also essential to allow markets to operate efficiently and investors to make correct decisions based on market signals.

Since 1980 Kenya has adopted economic reforms designed to achieve macroeconomic and structural adjustment, as well as economic growth. These programmes were initiated at the behest of and supported by the International Monetary Fund and the World Bank.

Approximately 16,000 civil servants were pruned in a three-year period. In five months in 1992, over 3,900 employees had been pruned through natural attrition (retirement) while 13,954 job

⁵²Behrman J. and Srinivasan T.N., *Handbook of Development Economics* (New York: Elsevier, 1995) p. 60

⁵³Central Bureau of Statistics 1997

vacancies that had been budgeted for were cancelled. The retrenchment programme was restricted to the civil servants, who, for lack of a formal labour union, would relatively be easier to deal with. Although teachers were a major contributor to the huge wage bill, they were untouched, largely because of their strong union (Kenya National Union of Teachers) and the fact that they formed a strong political base in terms of votes. Also, the retrenchment programme was not extended to parastatals. In fact, some of the retrenched in the civil service could find their way to parastatals with even higher salaries, therefore defeating the purpose of the reform.

It was also found that failure to make significant moves in fulfilling governance conditions led to suspension of ESAF in August 1997. Largely driven by the government's needs for new funding from donors, and the IFIs' pressure for a leaner and efficient government, the second phase of the civil service reforms was launched in 1998. The target was to reduce the civil service by 30 per cent and a target of 32,000 staff was agreed upon. Although there was a criterion to be followed, this was never circulated to the civil servants.

3.6 Phases of the Civil Service Reform Programme in Kenya

3.6.1 Introduction

Kenya's public sector reform process has been a complex process with varied degrees of scope of application and varied levels of success. Kenya's experience demonstrates Pollitt's assertion that "public sector modernization does not proceed along a single line, with those who are 'further ahead' teaching those who are behind how to follow by installing standard and reliable gadgets that will fix some set of universal problems".⁵⁴

This section explores the Kenyan experience by looking at public reform in the civil service in three phases i.e. 1963 to 1980, 1980 to 1990 and from 1990 to 2012.

3.6.2 Phase One: 1963 to 1980

Between independence and the late 1970s, the main focus had been Africanisation of the small inherited colonial civil service combined with rapid expansion (particularly of education services) a process aided by the former colonial powers mainly through training and technical assistance.

⁵⁴C. Pollitt and G. Bouckaert, *Public Management Reform: A Comparative Analysis* (New York: Oxford University Press, 2004) p. 8

Public Service Reforms in Kenya started immediately after independence. Sessional Paper No. 10 of 1965 on African Socialism and Its Application to Planning in Kenya, outlined the first institutional framework for reforms.⁵⁵The reforms were aimed at addressing three challenges facing the government at the time namely disease, poverty and illiteracy. The main focus was on Africanisation of public service, land reforms among others with the objective of improving service delivery and performance. Other reforms were later introduced focusing on performance improvement and remuneration for better service delivery.

3.6.3 Phase Two: 1980 to 1990

Outlays in salaries as a share of Ministries/Departments' recurrent expenditure grew steadily over the years. By 1979/80, salaries equalled 47 per cent of Ministries/Departments' recurrent outlays, growing to 60 per cent in 1984/85, and to slightly above 70 per cent in the 1990s. When the Government issued a blueprint for renewed growth in 1986, it was, therefore, already evident that the high rate of Civil Service growth could not be sustained by the economy.

Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth later paved the way for wider public service reforms. Notable among these was the Structural Adjustments Programme (SAP) initiated in the mid-1980s with the support and leadership of the Bretton Woods institutions which introduced a new public administration paradigm and macroeconomic policy framework. These reforms sought to reduce the role of the State in production as well as service delivery and encourage the deregulation of public enterprises. The emphasis was on maintaining macroeconomic stability, lowering inflation, cutting deficit spending, and reducing the scope and cost of government.⁵⁶

The reforms related to the functioning and role of the state in the economic sphere have, in many instances, produced positive results. The privatization of public enterprises producing goods and services reduced the role of the state in areas where the private sector proved to be a better alternative. However, notwithstanding the positive results derived from these reforms, the retreat of the State in social areas (health, education and housing) was detrimental for many African countries.

⁵⁵Republic of Kenya, *Sessional paper No. 10 of 1965 on African socialism and its Application to Kenya* (Nairobi: Government Printers, 1965)

⁵⁶G.Standing, and V.Tokman, *Towards Social Adjustment: Labour Market Issues in Structural Adjustment*(Geneva: ILO, 1991) p. 123

It was during this period therefore that the familiar problems of moonlighting and absenteeism, low morale, corruption and politicization of recruitment emerged; there was little doubt that in many countries the capacity of Ministries including Finance Ministries to fulfil even basic tasks had virtually collapsed.

The solutions offered by the 1980s civil service reform programs were relatively crude; in line with neo-liberal economic policies aimed at drastically reducing the role of the state in the economy, they focused on downsizing-- retrenchments, mergers and recruitment freezes, eliminating ghost workers and decompressing wage scales, trying to use savings on recruitment to pay higher salaries to higher-level managers with scarce skills.

Large amounts of aid money were allocated for this purpose. From 1981 to 1991, the World Bank included civil service reform programs in 91 loan/credit facilities worldwide, 55 of which were to African countries, either SAP or Technical Assistance loans, totalling \$2131 million.⁵⁷

State-owned enterprises have often been a significant macroeconomic burden. Between 1986 and 1991 in a sample of 17 low-income countries, state enterprises absorbed from other sectors an average of 1.7% of GDP. Given weak financial markets and foreign borrowing constraints in low income countries, this financing requirement was largely carried through the government budget and by domestic credit creation. These sources of financing both present significant macroeconomic risks.

Financing requirements for state enterprises can distort government spending priorities. In developing economies explicit operating subsidies to state owned enterprises often amount to more than 50% of the central government's education budget and more than 100% of the central government's health budget. Investments in health and education are key for human development. Ensuring the financing of needed investments in these areas is a much more important task for government than financing state enterprises in commercial spheres.

Identifying implicit subsidies to state enterprises often requires careful analysis. Credits issued to state enterprises at real interest rates below market rates often represent a very significant subsidy. State enterprises sometimes receive preferential foreign exchange arrangements, custom privileges, preferential government procurement arrangements, and use of government land or buildings at privileged rates. Tax arrears, tax privileges, and pension and health insurance

⁵⁷B.Nunberg, *Rethinking Civil Service Reform: An Agenda for Smart Government* (Washington, DC: The World Bank, 1996) p. 52

guarantees are other forms of implicit subsidies. In evaluating the macroeconomic burden of state enterprises, all these forms of subsidies need to be considered

While some state-owned enterprises perform well, state-owned enterprises are often associated with a number of serious economic problems. State-owned enterprises are often subject to political forces that create multiple, conflicting enterprise goals.

Political considerations may require a state-owned enterprise to hire particular workers, charge particular prices, locate a plant in a particular area, or buy materials from a particular supplier. Such requirements often conflict with economically efficient choices and hurt a state enterprise's financial performance.

Such obligations form the basis for an enterprise-government relationship that often lacks discipline and accountability. The problem is deeper than simply the financial costs of politically imposed obligations. Because such obligations are often relatively easy to impose on a state-owned enterprise, governments may find it difficult to resist imposing obligations that may be politically popular at a particular point in time but which are not a basis for sound public policy. Moreover, the costs associated with such obligations are often difficult to measure. They thus serve as a convenient and difficult-to-evaluate excuse for poor state enterprise performance.

The political importance attached to an enterprise's fulfilment of non-commercial obligations gives it leverage to extract privileges from the government. These privileges often include subsidized credits, restrictions on imports or foreign competitors, and restrictions on domestic private enterprises' opportunities to compete. The extreme case of the latter privilege is a monopoly right granted to a state-owned enterprise. Monopoly rights eliminate the possibility of using competitors' performance as a standard for measuring the performance of the state-owned enterprise. Such a privilege thus makes it even more difficult to hold a state-enterprise effectively accountable for its economic performance.

Rational state enterprise managers recognize the benefits accrued from taking on political obligations, hence they often do so despite the economic cost of these obligations.

Liberalization and promoting competition are an important means for improving state enterprise performance. Liberalizing entry opportunities can be a way to bring change to a stagnant industry. State enterprises are typically over-reliant on administrative hierarchies as opposed to market relations, and they often suffer from inefficient supply sourcing arrangements and weak customer marketing skills. Nimble private firms, given effective opportunities, are often eager to enter as suppliers to state enterprises or resellers of state enterprise products. In doing so, they improve the over-all efficiency of the economic sector. They also serve as a means for transferring knowledge about market-oriented behaviour to state enterprises managers.

State enterprise performance also benefits from having direct competitors. Such competitors provide a simple standard for judging a state enterprise's performance. They also provide a clear and credible survival threat if the state enterprise is not able to match competitors' performance. Competition's beneficial effects are apparent in an analysis of provincial data for China: the larger the non-state share of a province's output, the higher the total factor productivity of state enterprises.

Liberalizing market opportunities and promoting competition involves removing market constraints. Eliminating licensing requirements and removing price controls allows private firms to move quickly and operate efficiently. Liberalizing foreign trade allows foreign firms to exert competitive discipline on state enterprises. Doing so also allows domestic firms to exploit opportunities in world markets in reduce supply costs or acquire needed technology.

Liberalizing market opportunities also involves positive action to affirm economic rights and create pro-competitive institutional structures. All firms need to be given equal rights to participate in government procurement contracts. Private firms need to have equal rights to use public infrastructure and resources. Private firms need the right to be free from unreasonable restraints on trade, such as contracts that prevent them from using state enterprise outputs in ways that enhance their value to customers. Administrative and adjudicatory branches of the government need to be clearly separated from state enterprises, and safeguards need to be established to ensure that government organs do not favour particular firms. Some state enterprises might also need to be broken up into smaller units that could potentially compete with each other.

3.6.4 Phase Three: 1990-2003

The phase three reforms of the 1990s to some extent emerged from a limited recognition that downsizing and pay restructuring alone were not producing the desired results. Net reductions in numbers were not great, overall salary expenditures were actually rising. McCourt et al observed that contrary to what one authoritative World Bank study found, the idea that retrenchments and decompressions would produce savings which would fund real improvements in salary rates for skilled staff had not worked.⁵⁸

Following a number of internal studies focusing on structure, functioning, staffing and size etc. the Civil Service Reform Programme and Action Plan was developed and adopted in March 1992. The reforms were expected to facilitate equitable wealth distribution necessary for poverty alleviation and create an enabling environment for investment and enhanced private sector growth. The Civil Service Programme was designed to proceed in five areas i.e. civil service organization, staffing levels, pay and benefits, training and capacity building and financial management. While these succeeded in reducing the Civil Service workforce by 30% (from 272,000 in 1992 to 191,670 in 2003), productivity and performance remained a fleeting illusion.

Civil Service Organization reforms were expected to lead to a streamlined organizational structure reflecting better defined Ministerial and Departmental functions. This entailed clear definition and specification of the internal functions of Ministries/Departments, clear hierarchy of authority and span of control, and more accurate job descriptions among other initiatives.⁵⁹

Staffing Levels initiatives included down-sizing of the Service; establishment of staffing and setting of appropriate staffing levels for all cadres in the Service; improving staffing control mechanisms through computerization of the establishment and improvement of the payroll administration system; and, manpower control through cash limits and not through the establishment.⁶⁰

The focus of Pay and Benefits was towards achieving compensation levels that are geared towards attracting and retaining professional and managerial talent in a competitive market economy. Monetization of allowances was also under this component. The Pay Policy acknowledged that worker's compensation affects productivity by influencing the 'choice of

⁵⁸ W. McCourt, and M. Minogue, *The Internationalization of Public Management: Reinventing the Third World State* (Cheltenham: Edward Edgar, 2001) p. 79

⁵⁹ Ministry of Information and Communication, 'National Audit/ Evaluation of the Impact of the Civil Service Reform Programme (1993-2001) on Government Service Delivery' unpublished Report, 2005 p. 9

⁶⁰GoK, *A Strategy for Performance Improvement in the Public Service* (Nairobi: Government Printers, 2001) p.16

level of effort'. If employees perceive themselves as being underpaid, then their commitment to full productivity at the work place will be reduced.⁶¹

Personnel Management and Training involved the rationalization of personnel management agencies; identification of any inadequacies in the existing personnel planning and vacancy management; improving disciplinary systems; promotion; and establishment control with a view to institutionalizing modern personnel management practices in the Service. Capacity building for the Service is also covered under this component.

Finally, Financial and Performance Management addressed issues of transparency and accountability in financial management; institutionalization of control systems including computerization; management of the national budget; clear standards against which performance can be accurately measured; perfection of performance evaluation instruments; use of performance evaluation to impinge upon personnel replacement, training, discipline and rewards for enhanced service productivity.⁶²

It was the desire of Government to maintain a national population to employee ratio that reflects the needs of Kenyans, the provision of efficient service and resource constraints. This position was clearly spelt out in leading Government policy documents among them Sessional Paper No.1 of 1992 on Development and Employment in Kenya and Sessional Paper No.1 of 1994 on Recovery and Sustainable Development to the year 2010.

This phase retained the assumption that the civil service needed to be reduced in size, but accompanied this with much more ambitious attempts at total restructuring of civil services, focusing on management systems, performance management and budget /financial management, and marketization of service delivery. Batley argued that the changing role of government in this period of reform was nothing less than an attempt to transfer to African and other developing countries all the techniques of public sector reform which in the developed particularly English speaking countries have come to be known as New Public Management (NPM).⁶³

In 1997 the World Bank in its Development Report recognized that having an effective, responsive and legitimate state was crucial for sustaining an effective market economy.⁶⁴ New

⁶¹GoK, *Pay Policy for the Public Service* (Nairobi: Government Printers, 2006) p. ix

⁶²GoK, *A Strategy for Performance Improvement in the Public Service* op. cit. p. 27

⁶³R.Batley, 'Public and Private Relationships and Performance in Service Provision' *Urban Studies*, 1996 Vol. 33 Issue no. 4-5 pp. 723-751

⁶⁴ World Bank, *World Development Report 1997: The State in a Changing World* (New York: Oxford University Press/World Bank, 1997) p. 43

³¹Office of the Prime Minister, *Government Of Kenya-Draft Public Sector Reform Strategy*, (Nairobi: 2012)

generation programs since the millennium, although still very much within the NPM paradigm, have tended to focus on how to improve service delivery to citizens, making it more responsive and effective. They are normally specifically linked with the new Poverty Reduction Strategy Plans which have become a new conditionality for loans to Highly Indebted Poor Countries (HIPC), the majority of which are located in Africa. Thus for public servants, this has meant programs which attempt to involve officers in taking on board the opinions and demands of their clients - the public or users - and designing their own Performance Improvement Plans (PIPs) which involve service delivery standards monitored by both responsible managers and citizen user groups.

Public Sector Reforms in Kenya were basically introduced “to reduce the budget deficit, direct scarce resources to priority needs especially in the social sectors and establish an environment that is conducive to both domestic and foreign investment.”³¹ However by 2003 these reforms bore minimal results because the country was faced by various challenges amongst them inefficient service delivery mechanisms, lack of accountability in government, weak economic and financial management, weak rule of law particularly on performance of public officers and poor administration of government programmes. The government therefore, in conjunction with the donors, came up with a new initiative to act as a response to these challenges and as “the guiding performance management framework to underpin all reforms”.³²

This lack of noticeable change in public Service delivery paved way for introduction of Results-Based Management (RBM) guided by the Economic Recovery Strategy (ERS) for Wealth and Employment Creation (2003-2008).

The typical mechanisms for designing and implementing these reforms were the creation of high level reform agencies usually located in the Presidential or Prime Ministerial offices, deliberately intended to bypass the mainstream ministries and backed up by teams of foreign consultants and technical assistance personnel. At the same time, foreign aid flows to African countries continued to increase massively, increasing the direct role of donors and their agents in government programs especially public sector reforms.

³²*Ibid*

3.6.5 Results Based Management

Results Based Management (RBM) is a broad management strategy aimed at changing the way organizations operate. The Canadian International Development Agency (CIDA) defines RBM as: “A participatory and team based approach designed to improve management efficiency, effectiveness and accountability by involving key stakeholders in defining realistic expected results, assessing and monitoring progress towards achievement of expected results, integrating lessons learnt into management decisions and reporting on performance.”³³

3.6.6 How RBM works

RBM is a participatory and team-based approach to programme planning and focuses on achieving defined and measurable results and impacts. It is designed to improve programme delivery and strengthen management effectiveness, efficiency and accountability. It helps to shift the focus of programming, managing and decision-making from inputs and processes to the objectives to be met. At the programming phase, this approach ensures that there are adequate interventions to achieve an expected result. During the implementation phase, the RBM helps to ensure and monitor that all available financial, human and institutional resources continue to support the intended results.

3.6.7 Rapid Results Initiative (RRI)

The Government of Kenya adopted the Rapid Results Initiative (RRI) approach as one of the key tools in implementing Results Based Management in the Public Service. This approach focuses purely on results in planned a hundred days. It is aimed at;

- Jumpstarting major change efforts
- Improving implementation capacity
- Tackling large-scale, medium and long-term change efforts
- Enhancing public ownership
- Using a series of small-scale, results producing and momentum-building initiative

RRI was first introduced in Kenya on a pilot basis in 2004 through partnership between the Government of Kenya and the World Bank. The pilot was run within the National Aids Control Council and the Ministry of Water and Irrigation and was a resounding success. Following its success, in 2006 the government decided to undertake institution-wide RRIs in five additional ministries and following significant success in this further deployment, the Government instructed all ministries, departments and agencies to deploy RRI as a tool for mainstreaming results based management in the Public Service.

The government's quest for suitable reform designs to deliver the desired impact and results became one of its major priorities. In the late 2010, the government of Kenya and development partners signed a project document and joint statement of intent to support a three year reform programme. This time around, the reforms had been repackaged under a new banner and the catch phrase was to enhance quality of life for Kenyans by transforming the Public sector. The magic word here is 'transformation'- the public sector is geared to be totally transformed as opposed to implementing mere reforms in piecemeal.

3.6.8 Public Service Transformation Programme (PSTP)

When the "Results for Kenyan Programme" came to an end, the government conceptualized the Public Service Transformation Programme, sometimes referred to as Public Sector Transformation Programme, as part of the broader reforms in Kenya.

In regard to the changing economic dynamics both internationally and in the region, the Kenya government felt it was of paramount importance to accelerate and sustain public sector transformation in order to deliver results aligned with Vision 2030- a national blueprint that aims to make Kenya a middle-income, newly industrialized nation with a high quality of life for all its citizens.

³³Office of the Prime Minister, Government of Kenya- article on *Public Service Transformation Department* (Nairobi: 2012 PSTD publication).

The concept of a results-oriented citizen-centred public service is one of the components embedded in the Vision. The need to develop sustainable competitiveness in a dynamic world and the country's strategic position in East Africa requires that Kenya develops robust institutions capable of serving both its internal needs and the rest of Africa and the World. A strongly performing public service, underpinned by effective leadership, values and ethics is critical for the success of these institutions.³⁴ Two outstanding components of the transformation programme, are Rapid Results Initiative (RRI) and Integrated Service Delivery (IDS).

3.6.9 Integrated Service Delivery

In July 2011 the Integrated Service Delivery (ISD) initiative across service delivery MDAs was launched for instance, the Ministry of Immigration which aims to automate public service delivery and have it available to Kenyan citizens around the world at any time of the day.

The MDAs involved in the pilot phase are Ministry of Lands, State Law Office, Kenya Revenue Authority, Immigration, e-government and Ministry of Information and Communication under the coordination of the Office of the Prime Minister. The objective of ISD frequently referred to as a "One-stop shop" is to provide several quality services to citizens in one common place to save them the hustle and time of shuttling from one government office to another.

³⁴ Office of the Prime Minister, Government of Kenya- *Draft Public Sector Reform Strategy*, (Nairobi: 2012) p.

Since its inception the Public Service Transformation Programme is bedevilled by the same challenges that hampered progress in the earlier reforms. The key challenge is that of re-engineering, reshaping and leading the public sector institutions through a paradigm shift towards a culture of excellence in service delivery. Other challenges reminiscent of previous initiatives included poor attitude, unethical practices, political patronage, ineffective transition and succession management skills, and inadequate structures. However, this programme has incorporated a broader and aggressive approach which has greater potential to deliver results compared to earlier reforms.

In July 2011 the government launched what can be termed as a broader version of PSTP, known as the Transforming Kenya Programme, to spearhead implementation of the Constitution 2010, accelerate delivery of Kenya Vision 2030 flagship projects and transform public service delivery to Kenyans, as broader mandate of the Office of the Prime Minister of coordination and supervision of functions and affairs of government. Unlike the CSRPs, the PSTP was validated by both the state and non-state actors as a basis for new reforms. It is informed by the Public Sector Transformation Strategy.

3.6.10 The Public Sector Transformation Strategy

The Public Sector Transformation Strategy is a dynamic and focused process designed to fundamentally reshape the Public Service to accomplish its role in the achievement of Vision 2030 and its flagship projects as well as implementation of the Constitution of Kenya 2010.

In order to achieve this, the Public Service Transformation Department (PSTD) and custodian of the programme, was placed under the then Office of the Prime Minister,³⁵ to provide leadership for the transformation of the Public Service and support public service institutions, to ensure that reforms are institutionalized across the government. The major components for transforming the public sector encompassed in this strategy include:

- Performance management
- Citizen-centred service delivery
- Transformative leadership
- Institutional reforms and capacity building

³⁵ The office of The Prime Minister was formed after the post-election violence, under the *National Accord and Reconciliation Act, 2008* and was mandated to coordinate and supervise the

execution of functions and affairs of the government. The office ceased to exist in April 2013 prior to the March 2013 General Elections. PSTD is currently (2013) placed under the Ministry of Devolution and Planning of the new regime

3.7 Chapter Overview

This chapter has dealt with evolution of foreign aid in Kenya where it analyses the history of the flow of donor aid into Kenya since 1990 up to 2012. Secondly, it has discussed sources of aid into Kenya. Thirdly, there is the argument that foreign aid represents an important source of finance in most countries in sub-Saharan Africa (SSA), where it supplements low savings, narrow export earnings and thin tax bases. Further, conditionalities and aid inflow in Kenya, reveals that the aid agencies transfer resources to the Government of Kenya through three different modalities. Lastly, the case studies of civil service reforms in Kenya has also been discussed - the three foreign aid modalities described above, namely projects, structural adjustment agreements, and conditionalities, are used to organize the case studies that follow. This study is interested in structural adjustments and conditionalities modalities which seem to influence the policy-making process.

CHAPTER FOUR

A CRITICAL ANALYSIS OF THE IMPACT OF FOREIGN AID CONDITIONALITIES ON PUBLIC POLICY

4.1 Introduction

This chapter discusses the presentation and the interpretation of the findings. It deals with the summary of the findings in terms of responses according to personal details that is gender, age brackets, job status, education levels, job group and monthly net salary. It looks at why there was retirement, the length of service of the retirees, how they were informed about their retrenchment. The section also looks at the respondents' preparedness for retrenchment, and the effects on the dependants if the respondents had any. The section deals with how dependants are able to maintain their livelihood and meet their financial obligations currently and if what they earn now is better than when in the civil service.

Training on retrenchment to the affected has also been discussed. It considers if the training was beneficial to those affected and if it really assisted those affected in terms of preparedness for retrenchment. It also looks at the retirement/retrenchment package of those affected if it was adequate or inadequate and if the programme was efficiently implemented. The section also deals with impact of foreign aid on national development process and public policies formulation and developments, the impact of the foreign aid conditionalities and the types of conditionalities.

The purpose of this study was to critically analyse the impact of foreign aid conditionalities on public policy in Africa. The study also sought to examine how foreign aid conditionalities have impacted the CSRPs in Kenya, explore efforts by the respective governments to formulate alternative indigenous policies and investigate the role of think-tanks in the policy making process.

4.2 Summary of findings

The response rate for all the questions asked was over 70 per cent thus sufficient to enable the study to draw conclusions and inferences that would justify the objects thereof. The gender specifications for the respondents were as follows 65 percent of the respondents were male while

35 percent were female. The percentage of respondents according to age was: 51-60 years were 50 percent, 61-70 years were 30 percent, 41-50 years were 15 percent and 31-40 years 5 percent. This means that majority of the respondents were above 50 years of age and these were the people who were affected by retrenchment/ retirement programme.

The age bracket of the respondents were as presented in the following pie chart below

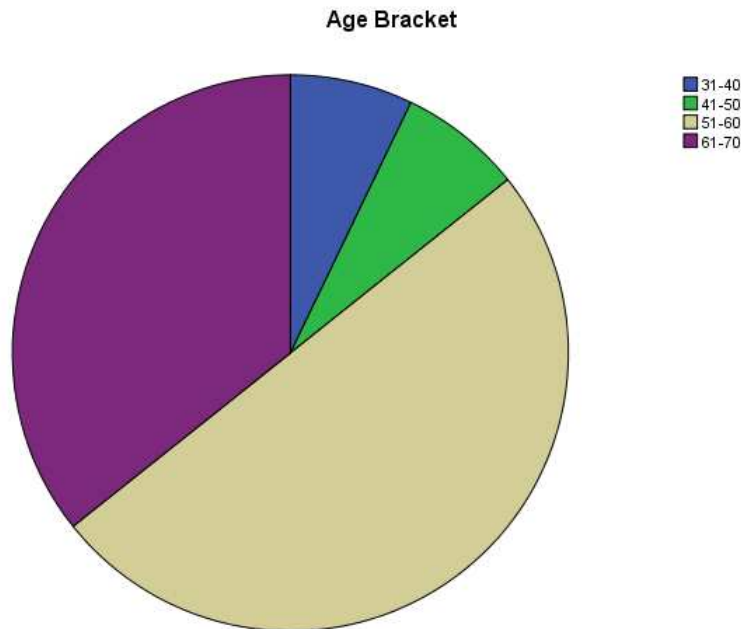


Figure 4.1: Age Bracket

The respondents' job status were summarized in the table shown

Table 4.1 Age Bracket

	Frequency	Per cent	Cumulative per cent
Retired	12	85.7	85.7
Retrenched	2	14.3	100.0
Total	14	100.0	

Majority of the respondents had gone up to secondary level of education at 43.5 percent, 21 percent had diploma level of education, 28.5 had a Bachelors degree while 7.5 percent had a masters degree. This means that majority of the respondents were informed on which decisions the government had taken in implementation of the retrenchment/ reform programme and other programmes which affected the development process and implementation of policies in the country.

The respondents' levels of education are presented in the following graph.

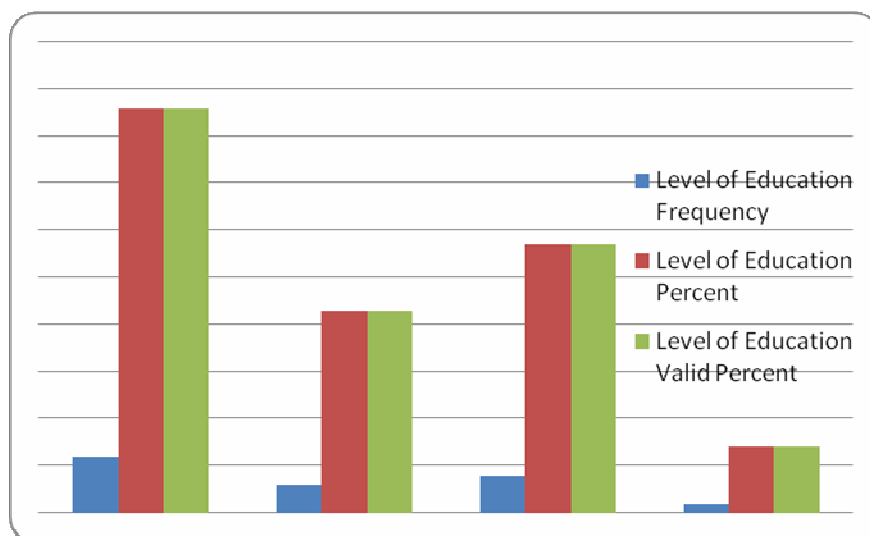


Figure 4.2: Education Levels

How should we put this Other responses from the respondents are summarized in the presentations shown below-

Majority of the respondents were from job group J-N at 42.9 percent, those in job group A-H was at 35.7 percent and P-S was at 21.4 percent.

Table: 4.2 Education Levels

		Frequency	per cent	Cumulative per cent
Valid	A-H	5	35.7	35.7
	J-N	6	42.9	78.6
	P-S	3	21.4	100.0
	Total	14	100.0	

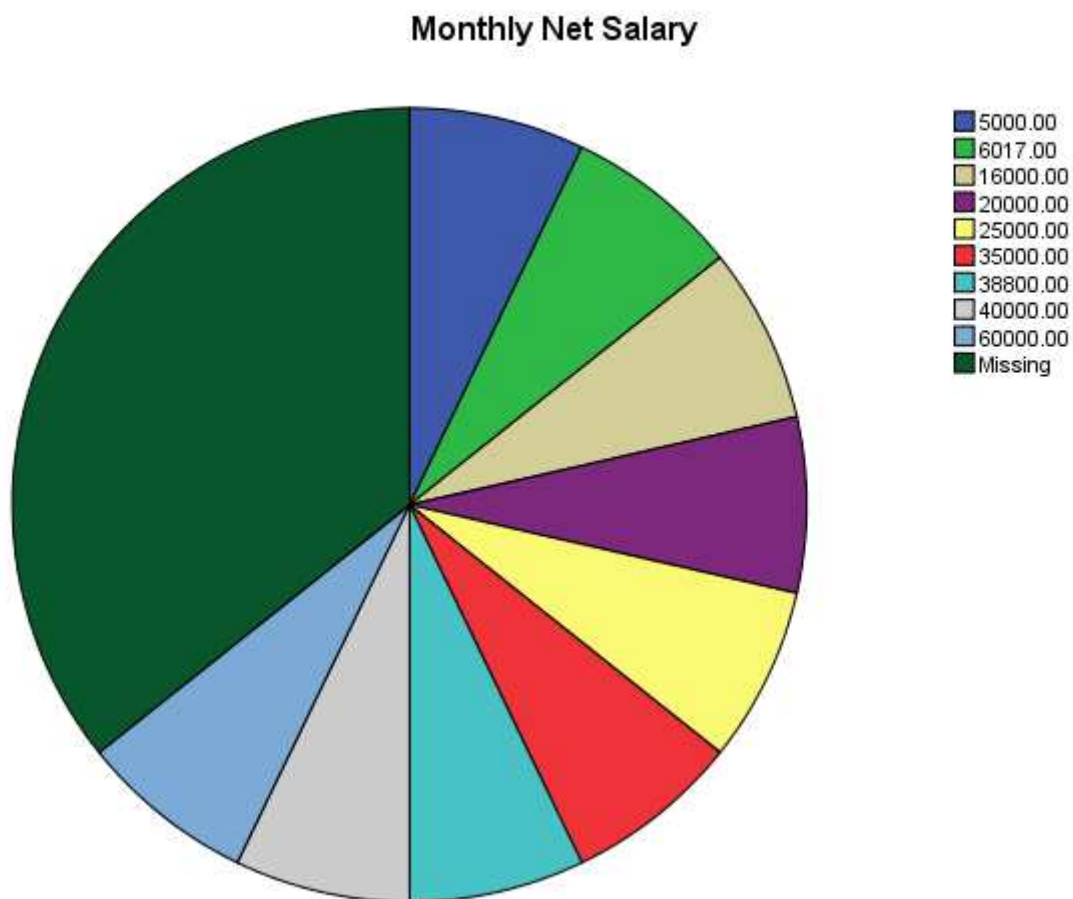


Figure 4.3: Monthly Net salary

Table 4.3 Retrenchment Program: Why there was Retirement

Most of the respondents underwent the normal retirement at 71.4 percent, voluntary early retirement was at 7.1 percent and any other was at 14.3 percent. This means that those at 14.3 percent also include those who left the service under the retirement/retrenchment programme.

	Frequency	per cent
Normal Retirement	10	71.4
Voluntary Early Retirement	1	7.1

Any other	2	14.3
Total	13	92.9
Missing	1	7.1
Total	14	100.0

Service Length According to the figure 4.4, 7.5 percent of the respondents had serviced between 12 to 15 years in the public service, 13.5 percent of the respondents had served between 20 to 31 years while 7.5 per cent had served for 22 years and 32 years respectively. This shows that the interviewees were the target group as were part of the people whom the implementation of retirement/ retrenchment programme affected. All the respondents had served in the public service as shown above, making their responses valid.



Figure 4.4

Communication of the Retirement/ Retrenchment programme

Out of the total respondents, 57.1 percent knew about the retirement/retrenchment programme through the official letter, 7.1 percent knew about the programme from other sources, and 28.6

percent did know about the retirement/ retrenchment programme. Majority of the respondents were not prepared for retrenchment before the programme was implemented, even some were not prepared at all, they only knew about the programme when it was being implemented. This has an implication of the implementation of the policy, as the communication was not effective that the entire target group knew about the retrenchment in time.

Table 4.4 Communication of the Retirement

		Frequency	per cent	Cumulative per cent
	By Official letter	8	57.1	61.5
	Any other	1	7.1	69.2
	Not applicable	4	28.6	100.0
	Total	13	92.9	
Total	Total	14	100.0	

Respondents' dependants

Despite the fact that the retrenchment/retirement programme was implemented in the public service, all the retrenches/retirees had dependants. Most of the respondents between 5 to 8 dependants, this were 7 percent, 28 percent of the respondents had 2 dependants and 22 percent had between 3 and 4 dependants. Of all the respondents majority of them had not prepared before retrenchment as shown in figure 4.14. This means that the implementation of the programme had a spill over effect to the affected persons and their dependants.

		Frequency	per cent	Cumulative per cent
Valid	Yes	14	100.0	100.0

Did you undergo training before retrenchment

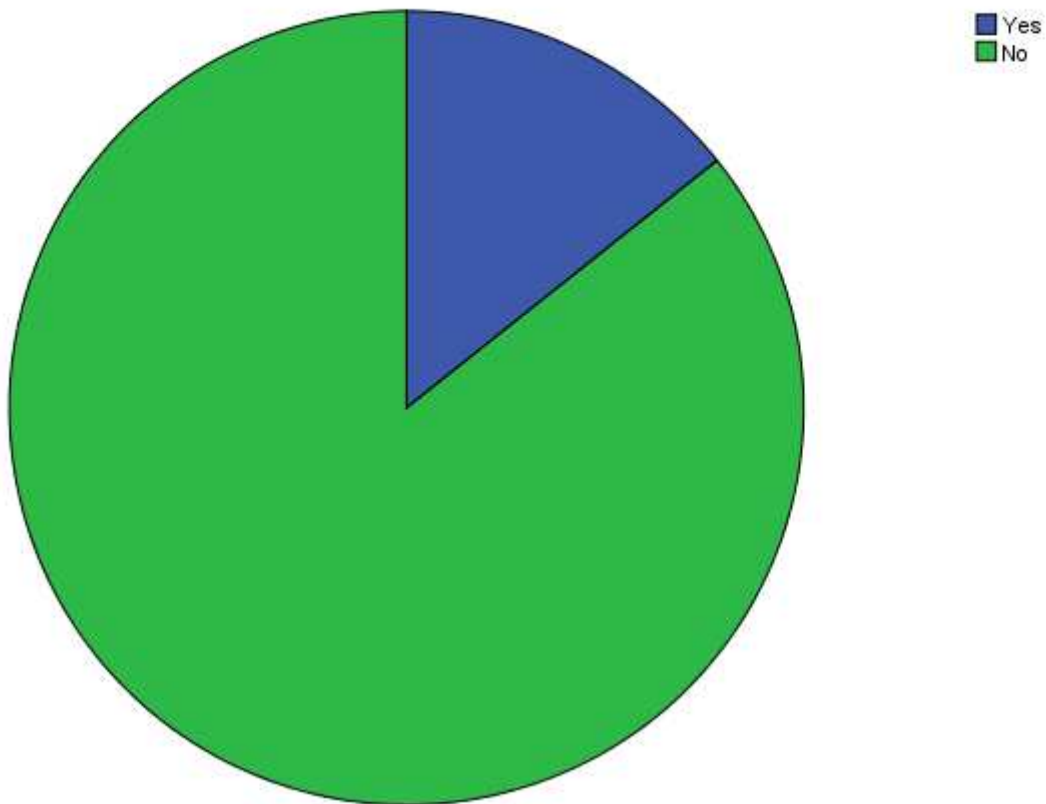


Figure 4.5

Training Benefit

Majority of the respondents did not benefit from the training that was offered to prepare them for the retrenchment/retirement programme. This stood at 28.6 percent, while those who benefitted from the training stood at 7.1 percent, the rest did not know if there was a training. This means that the implementation of the retirement/ retrenchment training was not effectively done.

Table 4.5 Training Benefit

	Frequency	per cent	Cumulative per cent
Yes	1	7.1	16.7
No	4	28.6	83.3
Not applicable	1	7.1	100.0
Total	6	42.9	
Total	14	100.0	

Table 4.6: How do the respondents meet their financial obligations

Out of all the respondents, 42.9 percent meet their financial obligation through income generated from business, 42.9 percent from pensions, while 7.1 percent are supported by relatives. This means that some of the people affected from the policy are still dependant on their relatives hence; the policy was not effectively implemented for some retirees/ retrenches.

	Frequency	per cent		Cumulative per cent
Income generated from business	6	42.9		46.2
Pension	6	42.9		92.3
Support from relatives	1	7.1		100.0
Total	13	92.9		
Total	14	100.0		

Table 4.7: Current earning compared to when in public service

Out of the total respondents, 57.1 percent earn more

	Frequency	Per cent	Cumulative per cent
More	5	35.7	38.5
Less	8	57.1	100.0
Total	13	92.9	
	1	7.1	
Total	14	100.0	

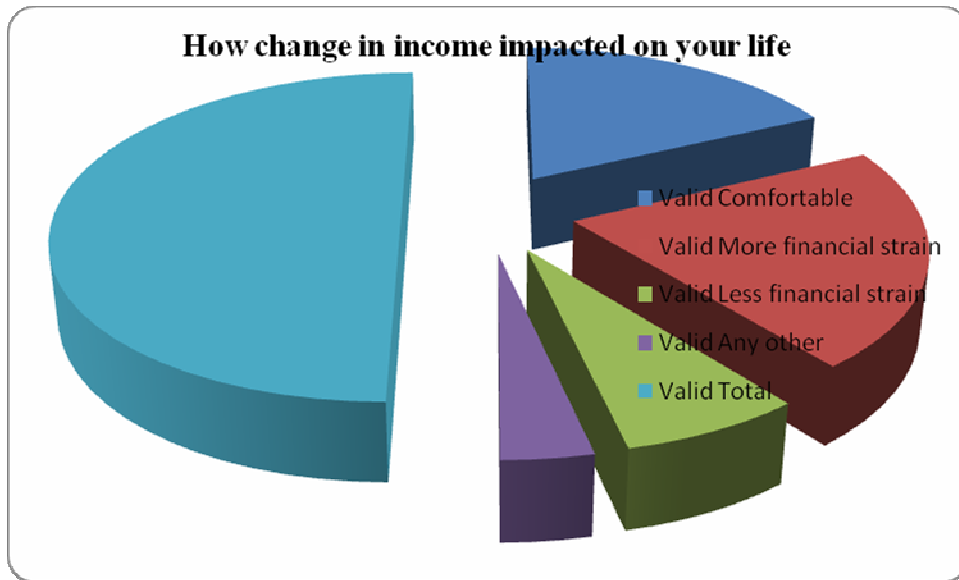


Figure 4.6

Source: Researcher

28.6% of the respondents are able to meet all their financial obligations according to the survey while 64.3% of them are unable to meet all their financial obligations. This indicates that the policy was not well implemented and this affected many of the respondents.

Table 4.8: Are you able /hardly able to meet your financial obligations?

	Frequency	Per cent		Cumulative Per cent
able to meet all your financial obligations	4	28.6		30.8
hardly able to meet all your financial obligations	9	64.3		100.0
Total	13	92.9		

85.7% of the respondents found the retirement package valid as opposed to 14.3% who saw it as missing. This shows that the programme in terms of the retirement package was able to meet the respondents' expectations because most of them were satisfied with what was being offered.

Table 4.9: Was the retirement/retrenchment package adequate /inadequate?

		Frequency	Per cent		Cumulative Per cent
Valid	Inadequate	12	85.7		100.0
Missing	System	2	14.3		
	Total	14	100.0		

The retirement programme was found to be efficiently implemented by 28.6% of the respondents while 50% found the programme to have been inefficiently implemented. This means that most of the respondents were not happy with the way the policy was implemented.

Table 4.10

Was the retirement /retrenchment programme efficiently/inefficiently implemented?

		Frequency	Percent		Cumulative Percent
Valid	Efficiently implemented	4	28.6		36.4
	Inefficiently implemented	7	50.0		100.0
	Total	11	78.6		
		3	21.4		

Table 4.9: Was the retirement/retrenchment package adequate /inadequate?

		Frequency	Per cent		Cumulative Per cent
Valid	Inadequate	12	85.7		100.0
Missing	System	2	14.3		
		14	100.0		

From the above answers the study established that most of the respondents were dissatisfied with the implementation of the CSR, and that most of their lives had changed for the worse. This defeated the purpose of the reform.

66.7% of the respondents thought that foreign aid conditionalities slowed down the national development process while 33.3% thought that the conditionalities led to failure of the development of public policies thus making it impossible for a country to come up with its own policies. This indicates that a large number of the respondents think that the conditions set in order for one to get foreign aid hampers the development process and causes it to lag behind.

Table 4.11: Impact of foreign aid conditionalities on public policy

	Frequency	Per cent		Cumulative Per cent
Slowed down the national development process	2	66.7		66.7
Led to failure of the development of public policies	1	33.3		100.0
Total	3	100.0		

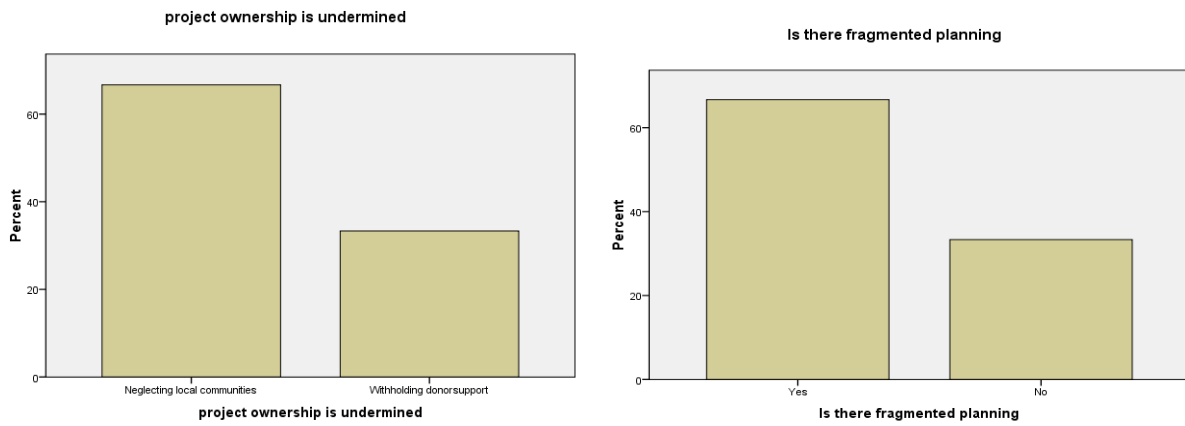


Figure 4.7: Project Ownership

While many aid agency officials start out with a commitment to ownership defined as control over policies, as soon as there is some disagreement over policy choices they tend to fall back on a definition of ownership as commitment to their preferred policies.

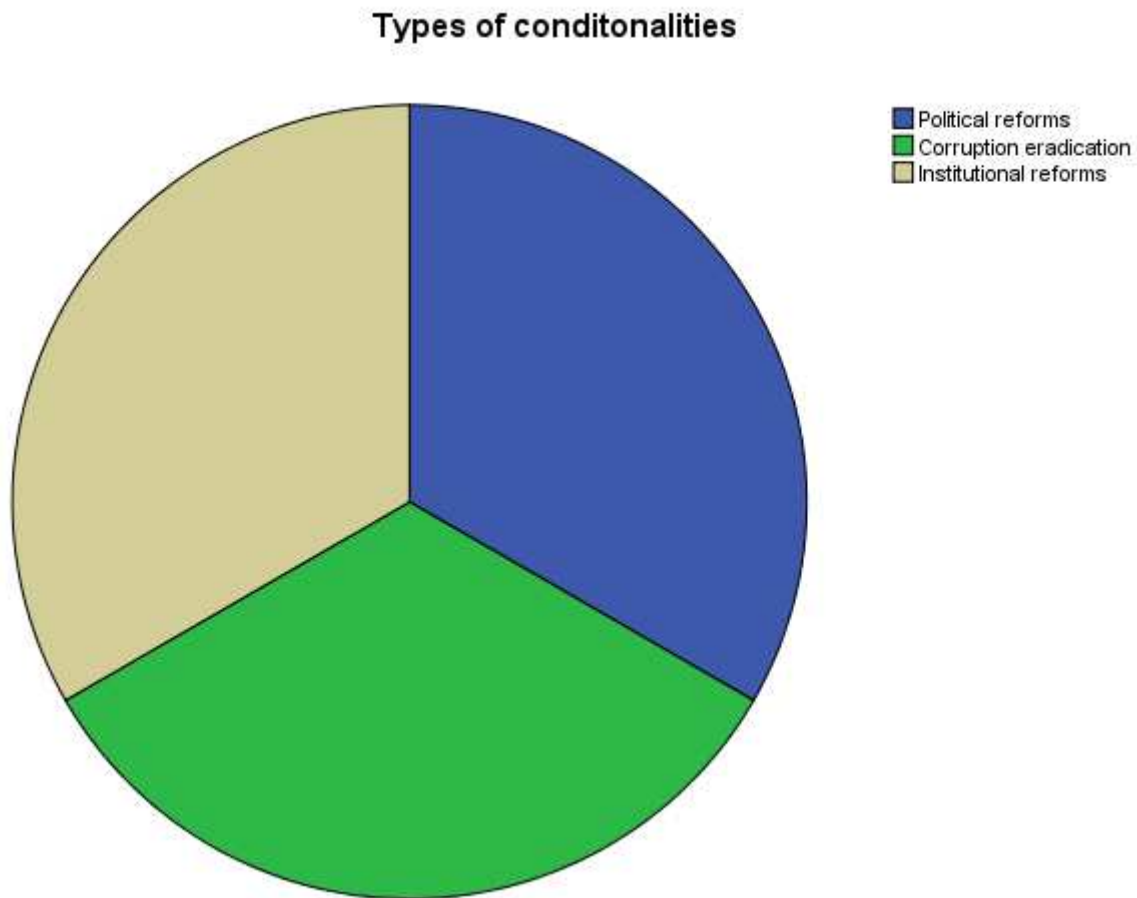


Figure 4.8: Types of Conditionalities

4.2.1 Main types of conditionalities imposed by foreign aid institutions

According to the findings, there are several types of conditionalities. The first conditionalities indicated by the respondents were IMF conditionalities. These imposed (or reluctantly agreed upon) conditions most often pertain to stand-by or other loans to support countries' balances of payments. They are the well-known neoliberal, monetarist, mostly macroeconomic conditionalities that are used as a threat of reducing all external resources flows leaving governments of the South extremely limited room to manoeuvre in. The respondents also indicated that multilateral and bilateral agencies sometimes impose conditions for development aid which they may or may not link to recipient countries fulfilling IMF conditionalities. The World Bank almost always takes the former position. In addition, there are conditionalities set by private or public financial institutions when countries reschedule their external debt. These are

always IMF-linked and mostly coercive rather than enabling and usually result in an impossibly large number of required stringent commitments.

4.2.2 Donors and ownership

The study sought to establish how donors undermine ownership in Kenya. The respondents began by explaining that ownership is often used by donors to mean commitment to policies, regardless of how those policies were chosen. This contrasts with ownership defined as the degree of control recipient governments are able to exercise over policy design and implementation.

33.3% of the respondents thought that the donors dominate the development process, 33.3% thought they enable the harmonization of the whole process while 33.3% of them thought the donors caused delays in the funding process.

Table 4.12

	Frequency	per cent		Cumulative per cent
<u>Dominate the development process</u>	1	33.3		33.3
<u>Existence of donor harmonization process</u>	1	33.3		66.7
<u>Delays in funding</u>	1	33.3		100.0
<u>Total</u>	3	100.0		

The respondents further indicated that recent donor commitments to respecting and supporting 'ownership' by developing country governments proceeds on two core assumptions. The first is that recipient governments are willing and able to lead. Yet, the evolution of the aid system has often prevented countries from taking the lead or undermined their ability to do so. Second, the new donor rhetoric implies that when recipient governments do take the lead, donors will be willing to trust them and follow suit. The respondents also argued that in cases where recipient

governments asserted particular policies and tried to coordinate donors around them, donor responses have often not been supportive or coherent with the ownership discourse.

4.2.3 Donors dominance in policy-making

In relation to how donors dominate policy-making, the respondents argued that in most aid dependent African countries, a permanent and pervasive negotiation process has developed over almost all policies, programs and projects between donors and government.

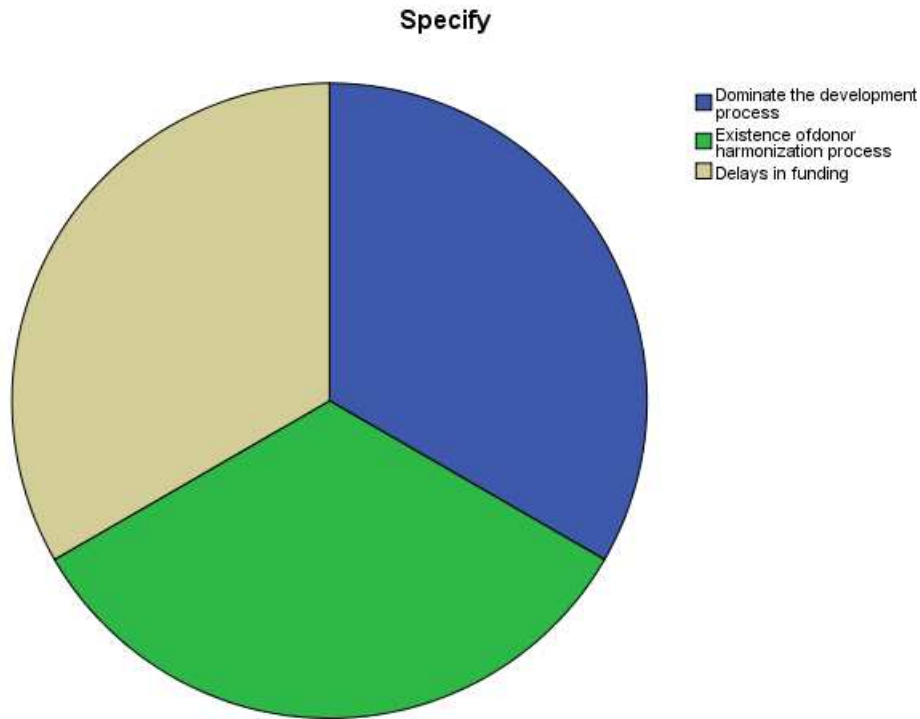


Figure 4.9: Donor Dominance

They also indicated that this puts an immense burden on African administrative systems and leads governments to spend most of their time responding to donor initiatives, trying to work their own priorities in or waiting until implementation to steer the policy or project towards their preferences.

4.2.4 Donors and the fragmentation of the planning process

The study also sought to establish whether donors have created fragmented planning processes in Kenya. From the findings, the respondents indicated that donor proliferation has led to widely dispersed tasks and a vague division of labour within recipient governments, and to donors negotiating projects directly with specific ministries.

66.7% of the respondents thought that donors created fragmented planning causing the tasks to be dispersed while 33.3% thought they did not.

Table 4.13: Is there fragmented planning processes in Kenya? How?

	Frequency	Per cent		Cumulative per cent
Yes	2	66.7		66.7
No	1	33.3		100.0
Total	3	100.0		

It was also revealed that fragmented aid management structures have led to weakened domestic policy-making and budgeting processes, leaving recipient governments in a weak position to coordinate aid according to a national development strategy. Donors often take up the initiative, coordinating aid amongst them and creating arenas for ‘policy dialogue’ with African governments.

However, the respondents⁶⁵ reported that new aid modalities intended to solve the problem of parallel and fragmented aid processes (PRSPs, budget support, etc.) have often created additional problems, increasing donor intrusion and merging recipient institutions with donor-driven processes.

4.2.5 Advantages of having foreign aid conditionalities in Kenya

The study established that the dependence of African governments on aid – as a way to increase their budgets and to deliver goods and services or other political promises they have made to

⁶⁵Chief economist and Head of Central Planning Unit, Policy Coordination Department, Office of the Prime Minister, Mr. John Musale, , KIPPRA's Executive Director, Dr Moses Ikiara, Permanent Secretary, Ministry of State for Public Service, Mr. Titus Ndambuki.

their populations – makes governments unwilling to take stronger policy positions or chart a development strategy outside of the purview of donors. They are often afraid of risking reductions in aid that could undermine their political support and/or cost them the next election.

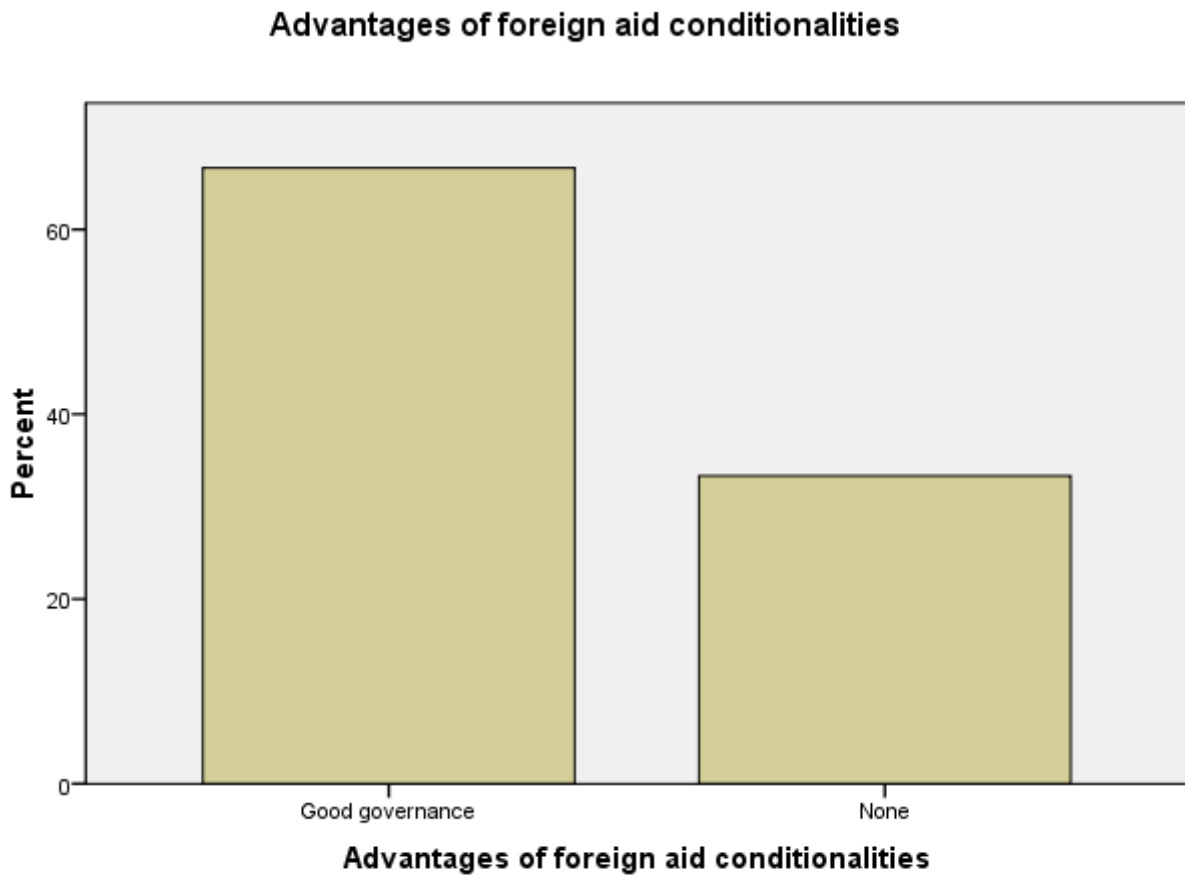


Figure 4.10

The respondents also indicated that the fragile domestic political support of governments, combined with their dependence on aid to shore up their political legitimacy, provides strong incentives for governments to remain in a subordinate position to donors. Further, they indicated that the conditions of permanent and pervasive negotiation and of institutional entanglement and aid fragmentation create strong disincentives for politicians and civil servants to alter the terms on which aid is offered to meet their own priorities.

4.2.6 Donors' role in respecting and supporting ownership

The study found that ownership is not something that will result just from a shift in aid modalities and practices. Respecting country ownership requires a change in the perspective of donors and their role in African countries.

When it comes to donor respect and support ownership, 66.7% of the respondents said that the donors should involve local communities and 33.3% thought that the donors should provide aid directly and reduce control. This means that the donors usually dictate and give conditions on how the funds should be used.

Table 4.14: How donor should respect and support ownership

	Frequency	Per cent	Cumulative Per cent
Involve local communities	2	66.7	66.7
Provide direct aid and reduce control	1	33.3	100.0
Total	3	100.0	

The respondents⁶⁶ therefore suggested that donor countries should recognize the right of African governments to choose their policies. The historical trajectories of developed and emerging countries show that successful development processes can take many different paths. Indeed, even within donor countries, governments make mistakes, and in their aid relations donors themselves have experimented with different conditionalities on aid, making mistakes and then seeking to redress them. In addition, they also indicated that donors seem unwilling to accept the risk that an aid-receiving government might make its own mistakes. This unwillingness leaves no

⁶⁶Chief Economist and Head of Central Planning Unit, Policy Coordination Department, Office of the Prime Minister

space for domestic political negotiations and the emergence of national strategies. If donors wish to support ownership, the most useful role they can play is to step back from domestic decision-making arenas and support a process in which options are put forward and debated domestically.

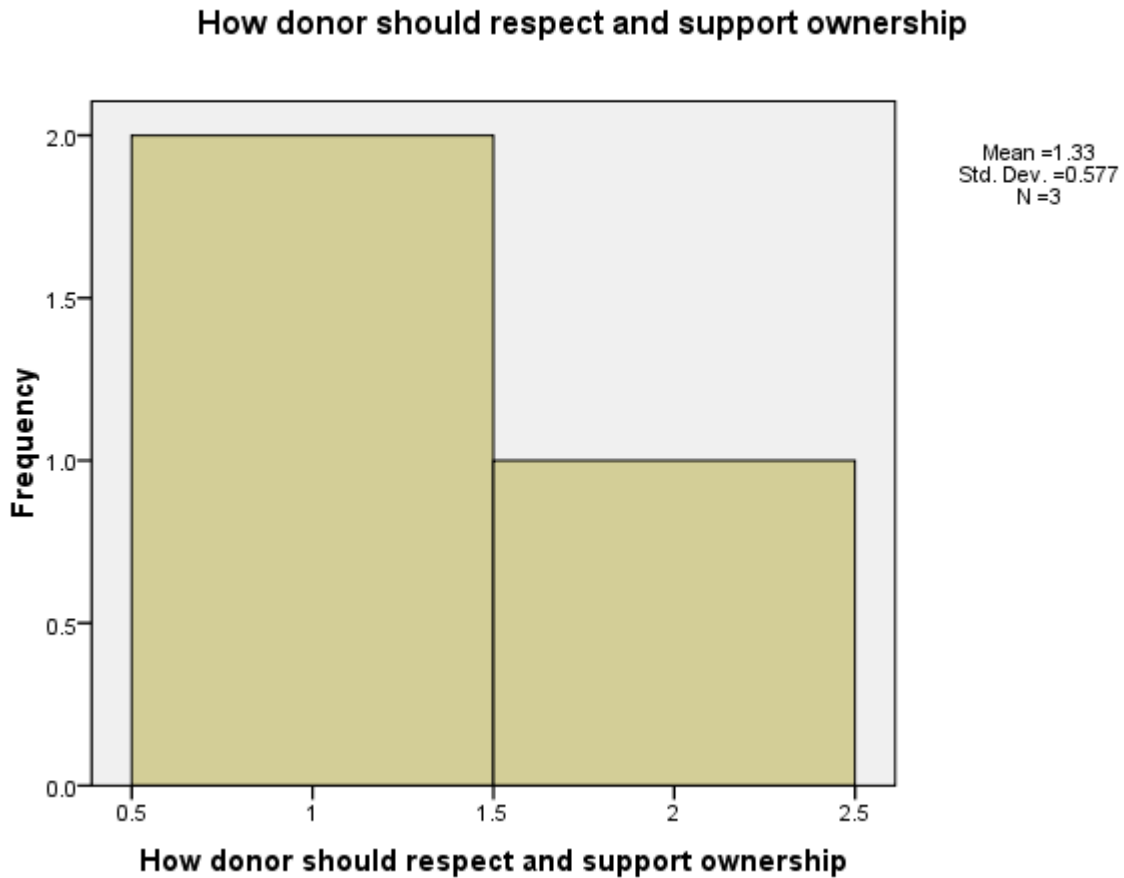


Figure 4.11: Donor respect and Support Ownership

It was also contended that Conditionalities tend to limit Africa’s scope in developing public policies that are in tune with the needs of the people. For example, in coming up with policies that are workable in an African set up, a lot of consultations are required with the affected communities whom the policies are intended to address.

33.3% said that the impact of the conditionalities slowed down national development process thus limiting the extent to which public policies can be developed which march the needs of the people as opposed to 66.7% who thought that the conditions did not.

Table 4.15, Impact of conditionalities on CSRPs

		Frequency	Percent	Cumulative Percent
Valid	Slowed Down National development process	1	33.3	100.0
Missing	System	2	66.7	
	Total	3	100.0	

Source: Researcher

However, with conditionalities, these communities are never consulted and therefore policies are made with the donor's thinking on what is good for these communities hence failure of these policies.⁶⁷

The respondents in the Ministry of state for planning, national development and vision 2030 argued that donor countries should not attempt to transform African economies and societies. In the process of giving aid, donors have begun trying to transform African societies, getting directly involved in mediating state-society relations. But this role for donors has perverse consequences, as civil society organizations in African countries look increasingly to donors to pressure their governments to adopt certain policies or be more democratic, instead of engaging directly with their governments to build political accountability.

Rather, the executive director of KIPPRA indicated that donors should allow recipient governments and societies the time and space to come up with their own solutions. While it is

⁶⁷Chief Economist and Head of Central Planning Unit, Policy Coordination Department, Office of the Prime Minister.

now commonly acknowledged in aid circles that domestic dynamics have to be the basis for successful development processes, this acknowledgement has not yet significantly affected aid practices.

In agreement, the respondents from the public service of Kenya argued that donor countries should change donor norms and attitudes. Donor officials in recipient countries often doubt the competence and probity of African civil servants and politicians, and are therefore reluctant to let go of their control. Donor country staffs are also constrained by the incentive structure within donor agencies compelling them to ‘deliver’ on targets which are often beyond their influence. Respecting ownership entails donors gaining a better understanding of the context in which African governments operate, and adjusting their norms and expectations accordingly.

The respondents also indicated that donor countries should reduce conditionalities and strengthen domestic accountability. Donors should keep conditionalities at a bare minimum, in order to give recipient governments more flexibility and control over the policy agenda. Conditions allowed could include those required by the donor government’s laws and regulations, and matters arising from shared values agreed by donor and recipient (such as human rights, transparency, etc.). A breach of these conditions, defined and spelled out, would result in the withdrawal of aid. The respondents also indicated that recipient governments should report to national institutions, such as parliaments and audit institutions, on the use of aid funds. Donors would receive such reports and decide if they want to continue to provide aid or not. It was also established donors supports government accountability to domestic rather than donor constituencies.

The respondents⁶⁸ further suggested that donor countries should be more transparent. At the moment, little transparency exists on aid flows at country level. Donors should provide more and better information on what they are giving aid for, how much and with what conditions, creating a better environment for citizens to use such information to hold their governments accountable.

⁶⁸The Permanent Secretary, Ministry of State for Public Service

Donor countries should also get serious about supporting institutions and capacity building. Donors often come to recipient countries with their own priorities and projects, in a hurry to meet targets and disburse money. This is at odds with giving enough time to recipient country bureaucracies to initiate and develop policies and plans through national political and administrative processes. Technical assistance is often used by donors to ensure the quality of policies and projects that donors fund, but this undermines the morale of the civil service. Technical assistance should be demand-driven and support what recipient governments say they need. Long-term expatriate staff should be integrated into government structures and accountable through normal authority lines.

4.3 Impact of Foreign aid conditionalities on the CSRPs

The respondents indicated that the civil service reform programme, which was to be implemented in three stages or phases, was launched after much pressure from development partners. The reform was to cover only those civil servants paid directly by the exchequer, excluding teachers.

Approximately 16,000 civil servants were laid off in a three-year period. In five months, over 3,900 employees in 1992 had been pruned through natural attrition while 13,954 job vacancies that had been budgeted for were cancelled. Failure to fulfil governance conditions led to suspension of ESAF in August 1997. The second phase of the civil service reforms was launched in 1998 owing to the government's dependency for new funding from donors, coupled by the IFIs' pressure for a leaner and efficient government. This time around the target was to reduce the civil service by 30 per cent that translated to 32,000 staff. The civil servants were left in the dark on the criteria to be followed.

This created a loophole for victimisation and malicious layoffs that left civil servants in anxiety and suspicion as to who among them was next to leave. In this state of mind, the work output tends to be largely affected.

However, the right-sizing was halted by Parliament before the target had been achieved. Expectedly, it was argued that there was no enough consultations about the policy, which was viewed to have been implemented as a directive from donors. Parliament argued that a Sessional

Paper should have been done before implementing the policy and, therefore lobbied to stop the process. Compared with the first phase, it was difficult implementing the second phase.

Following the suspension of funding in 1997, much of the reform effort was geared towards fulfilling conditionalities on governance (read corruption) issues. The President put up a team in July 1999, with technocrats mainly drawn from the private sector, to occupy key public office positions, including Head of the Civil Service. The team, dubbed 'dream team' was expected to spearhead reforms that would put the country back to economic recovery path and fight rampant corruption in government. However, the reform suffered another setback when the sacking of over 25,700 civil servants was halted, after the civil servants sued the government, accusing it of contravening the Employment Act by terminating employment contracts without adequate notice. Complicating things further, many civil servants had still not received their redundancy packages, which, it was felt, were not even adequate. At least 19,000 civil servants had received retirement letters after the programme resumed in September 2000. The implementation of reform was less successful in terms of meeting the targets, consistency and sustainability. Civil service reforms are still in force to date.

4.4 Kenyan government efforts to formulate alternative indigenous policies

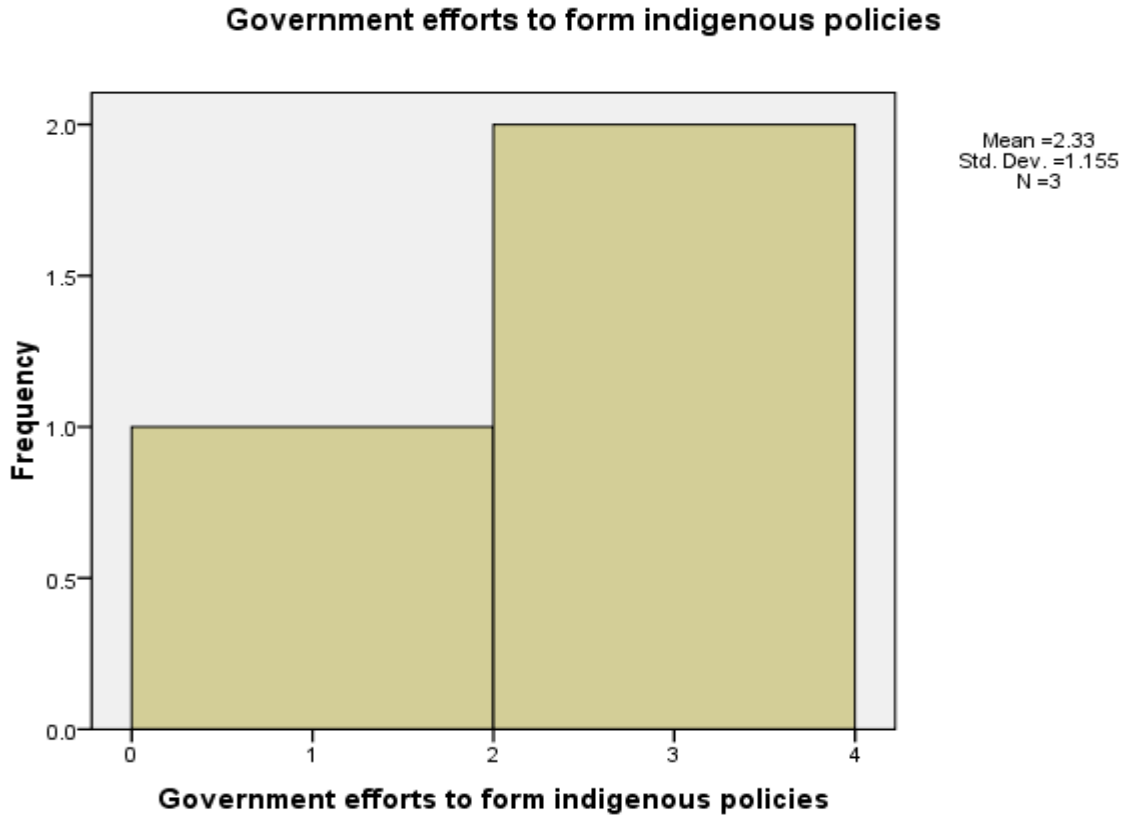


Figure 4.12

It was from recognition of the complexity and multi-dimensional nature of the process of policy formulation at the national level that this study began. It was not seen as just an issue of academic. The study was anxious to understand why so many previous efforts by governments and external agencies to improve the capacity for policy formulation in African countries had such disappointing results. Most of these efforts were based on the belief that improvements to policy formulation could be achieved by simply strengthening the technical-economic capacity of central governments. Staff training and the use of expatriate advisers were thought to be the most effective instruments to build up a critical mass of policy analysts and managers in the public sector. However, the outcomes of these efforts show that this was insufficient. By concentrating on only one aspect of the problem - personnel - they paid less attention to other

parts of the governance framework within which national policy has to be formulated and implemented. It was a serious oversight.

The study identified three main components as forming this element of governance: the institutional environment, the core policy formulation process within government, and the involvement of civil society. The results of the interviews were as follows: First, the study recognized the need to consider policy formulation processes within the context of the national institutional environment -- political, economic, and socio-cultural. It is frequently overlooked that, in sub-Saharan Africa as a whole, policy formulation has had to take place in environments where governments have been pre-occupied with nation-building and with the complex social and political problems inherited from their colonial past. In addition, development policy issues have normally been addressed by governments that have been almost continually confronted by financial crises. These pressures have been particularly significant in shaping (and reducing) the ability of African states to formulate indigenous policies that reflect local needs and priorities. Very often it has been external organizations that have set the pace and direction of development policies, adding an international dimension to national policy-making processes.

Secondly, a core policy formulation process within government was identified. This comprises the identification of the policy issue, specification of policy objectives, the development of policy options, decision-making, promulgation, and implementation. It also includes the gathering, processing and analyzing of data in connection with each of these activities. Thus stated, this internal process seems to conform to traditional presentations of policy formulation as a linear process. However, as already stated, this is not so. Instead, it is a complex process, without clear beginnings and ends, involving a varying group of people, with many seemingly unsystematic steps, and that some elements may be missed out completely. Third, the approach recognized the importance of the roles and involvement of non-governmental actors and stakeholders - civil society - in policy formulation. Civil society is not a passive element in policy-making. Its members (farmers, workers, industrialists, parents, teachers, either individually or in groups and associations) have vested interests in the outcomes of the process of national policy formulation. It includes all those people and institutions who assume, based on their expertise and specialist knowledge and the significance the policy will have for them, that they have as much right to be part of the policy formulation process as those within government.

4.5 The role of think-tanks in the policy making process

The respondents indicated that in Kenya, the main think-tank is KIPPRA. The Kenya Institute for Public Policy Research and Analysis (KIPPRA) is an autonomous think-tank established in 1997 to provide objective public policy advice to the Government of Kenya, and other stakeholders, in order to contribute to the achievement of national development goals.

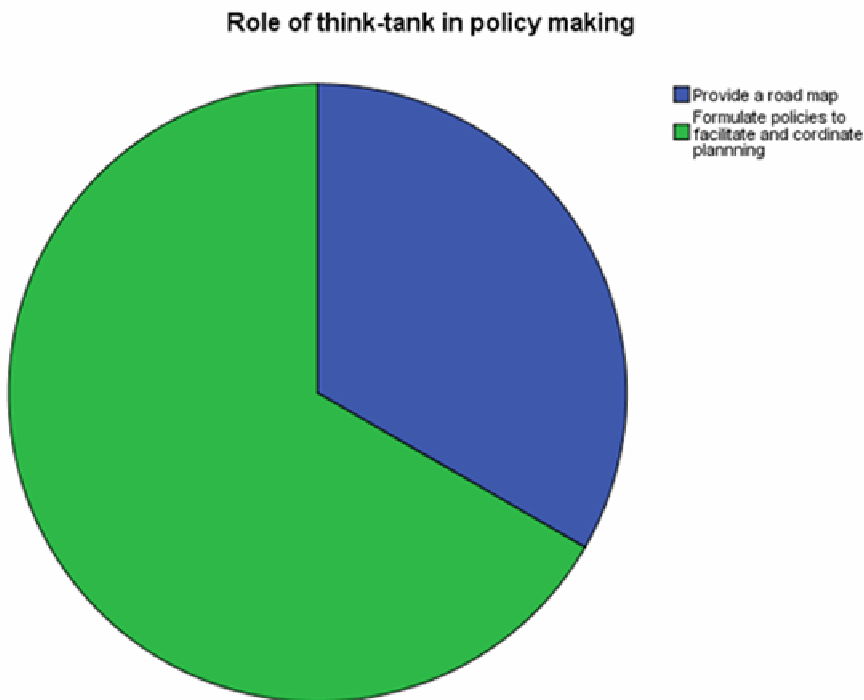


Figure 4.13

The study also found that the main role of KIPPRA is to conduct research and policy analysis in all sectors of the Kenyan economy, to provide capacity building for policy making and implementation, and to serve as a point of contact for exchange of views on public policy issues affecting Kenya. Over the years, the Institute has built a reputation for quality public policy research and analysis, accumulated a pool of research resources, and developed macroeconomic and sector models for policy formulation, simulation and forecasting.

33.3% of the respondents said that the role of think-tank in policy making is to provide a road map while 66.7% said is to formulate policies to facilitate and coordinate planning

Table 4.16: Role of think-tank in policy making

	Frequency	Per cent	Valid per cent	Cumulative per cent
Provide a road map	1	33.3	33.3	33.3
Formulate policies to facilitate and coordinate planning	2	66.7	66.7	100.0
Total	3	100.0	100.0	

Other think tanks in Kenya include Institute for Development Studies (IDS), Economic Research Consortium (ERC), Institute for Policy Analysis and Research (IPAR), African Centre for Economic Growth (ACEG), and Centre for Multi-party Democracy (CMPD).

The respondents also indicated that these think tanks conduct objective research and analysis on public policy issues with the goal of providing advice to policy makers. In addition, they provide advisory and technical services on public policy issues to the Government, government agencies, and other stakeholders. The respondents also indicated that think-tanks collect and analyse relevant data on public policy and disseminates its research findings to a wide range of stakeholders through workshops/conferences, internal seminars, research papers, policy briefs, a newsletter, and the Kenya Economic Report. They also develop and maintain research resources and databases on public policy and related issues, and avails these to the Government, the private sector and academic institutions. Further, think-tanks undertake contracted public policy research and analysis for the government and clients from the private sector. Think tanks also serve as a point of contact and encourage exchange of views between the Government, private sector and other civil society.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Overview of chapters in the findings

This section focuses on the conclusions, which were done in accordance to the purpose and objectives of the study. The purpose of this study was to critically analyse the impact of foreign aid conditionalities on public policy in Africa. The study also sought to examine how foreign aid conditionalities have impacted the CSRPs in Kenya, explore efforts by the respective governments to formulate alternative indigenous policies and investigate the role of think-tanks in the policy making process.

Chapter one gave an insight to the background of the study, with emphasis on the Cold War era as the nemesis of foreign aid to third world countries and how that later, through a paradigm shift evolved into Structural Adjustment Programmes (SAPs) and the emergence of other conditionalities. This chapter encompasses the statement of the research problem; objectives of the study; literature review; justification of the study; theoretical framework and research methodology.

In chapter two, the study explored the debates and discussions on public sector reforms in Africa, on aid and governance; and real peculiarities of African economies, while chapter three analysed the evolution, sources and conditionalities of aid in Kenya. Chapter four of the study critically looked at the impact of foreign aid conditionalities on public policy and chapter five dealt with the conclusions arrived at based on the objectives of the study, and the recommendations made.

5.2 Conclusions and recommendations

The findings on donor respect and support for ownership indicate 66.7% of the respondents said donors should involve local communities while 33.3% preferred donors to provide aid directly and reduce control. This translates to the fact that donors normally dictate conditions on how funds should be deployed.

The study recommends that donor countries should recognize the right of African governments to choose their policies. The historical trajectories of developed and emerging countries show that successful development processes can take many different paths.

The study argues that if donors wish to support ownership, the crucial role they can play is to step back from domestic decision-making and support a process in which options are put forward and debated domestically. The study therefore recommends that African countries should work closely with multilateral institutions such as the African Development Bank (ADB), who are more interested in “home-grown” solutions and strategies by the aid recipients, instead of the Bretton Wood institutions whose main agenda is designing strategies and conditionalities with the aim of restructuring African economies in the image of western world democracies.

The study further argues that donor countries should not attempt to transform African economies and societies. In the process of giving aid, donors try to transform African societies by getting directly involved in mediating state-society relations.

However this role for donors has consequences, as civil society organizations in African countries increasingly look up to donors to pressure their governments to adopt certain policies or be more democratic, instead of engaging directly with their governments to build political accountability.

The study also recommends that donor countries should change donor norms and attitudes. Donor officials in recipient countries often doubt the competence and probity of African civil servants and politicians, and are therefore reluctant to let go of their control. Donor country staff are also constrained by the incentive structure within donor agencies compelling them to ‘deliver’ on targets which are often beyond their influence. Respecting ownership entails donors gaining a better understanding of the context in which African governments operate, and adjusting their norms and expectations accordingly.

Further, the study recommends that donor countries should reduce conditionalities and strengthen domestic accountability. They should keep conditionalities at a bare minimum, in order to give recipient governments more flexibility and control over the policy agenda. However conditions allowed could include those required by the donor government’s laws and regulations, and matters arising from shared values agreed by donor and recipient. If these conditions defined and spelled out, are breached, would result in the withdrawal of aid. The study indicated that recipient governments should report to national institutions, such as parliaments and audit institutions, on the use of aid funds. Donors would receive such reports and decide if

they want to continue to provide aid or not. It was also established donors should support government accountability to domestic policies rather than impose conditions.

The research recommends that donor countries should be more transparent in their activities. At the moment, little transparency exists on aid flows at country level. Donors should provide more and better information on what they are giving aid for, how much and with what conditions, creating a better environment for citizens to use such information to hold their governments accountable.

Donor countries should also get serious about supporting institutions and capacity building. They often come to recipient countries with their own priorities and projects, in a hurry to meet targets and disburse money. This is at odds with giving enough time to recipient country bureaucracies to initiate and develop policies and plans through national political and administrative processes. Technical assistance is often used by donors to ensure the quality of policies and projects that donors fund, but this undermines the morale of the civil service. Technical assistance should be demand-driven and support what recipient governments say they need. Long-term expatriate staff should be integrated into government structures and accountable through normal authority lines. This study further recommends proper planning and coordination of related policies to avoid a scenario where one policy undermines another. The government should ensure coordination of public policy-making and implementation to avoid conflict or duplication.

The findings showed that 67.7% of the respondents believed that donors created fragmented planning that resulted in tasks being dispersed without any coordination. This creates a scenario where one arm of the government does not know what the other arm does. Lack of proper coordination of policy issues lead to an outcome contrary to what the policies stipulate.

Public sector reforms are implemented by many organisations, with little coordination and limited cross-fertilisation with other reforms. The weak culture and capacity for Monitoring, Evaluation and Reporting (MER) in the public service has also led to much focus being put on process and inputs with insufficient emphasis on results.¹

The study recommends recipient countries to formulate home-grown policies backed by policy research conducted by Think-Tanks, to enhance ownership and strengthen partnership on

conditionality. These Think- Tanks should be assimilated into the process of public policy making to coordinate the various initiatives that have similar goals. Think- tanks such as KIPPRA should be involved at all stages of policy-making and implementation to ensure technical advice is incorporated all the time. In the past the engagement of researchers, universities and institutes was minimal. This has robbed the country of invaluable advice and input which would have gone a long way in improving public-policy making in Kenya. With the spread of university campuses throughout the country, various counties should be able to utilize these institutions, not only as stakeholders, but as advisers in policy-making and researchers on policy issues.²

This study further recommends the government can draw the membership of Think-Tanks from retrenched/retired public servants, by keeping a database of these former public servants. The government spends a lot of funds to train public servants who even after leaving the service can contribute tremendously towards policy-making and other initiatives as they possess a wealth of knowledge and experience by virtue of having worked in the Public Service.

1 Ministry of State for Planning, National Development and Vision 2030, *Second Annual Progress Report on the Implementation of First Medium Term Plan (2008-2012)*: Nairobi, GOK:May 2011p.44

2Office of the Prime Minister, *National Handbook for Public Policy Making in Kenya Government of Kenya* (Nairobi: August 2012) p.31

This study also recommends the government should in addition employ the technique of envisioning scenarios in future and based on this, formulate policies to address issues that are likely to arise so that when they occur, the government will not be caught unawares but will already have policies in place to guide her. Countries like Singapore use this method frequently in formulating some of their policies.

This study also concludes that retrenchment/retirement as a function of CSRP abated rather than alleviated poverty. This study reveals 64.3% of the retrenchee/retirees are unable to meet their financial obligations and 7.1% are supported by relatives. There was no harmonization between CSRP and poverty reduction initiatives particularly at implementation stage. The main objective of the CSRP was to reduce the bloated Civil Service in order to have a leaner, efficient and effective public service outfit. The savings made from the staff retrenched was used to improve the salaries of the leaner staff to motivate them for better service delivery. At the same time the safety net packages designed for the retrenchment programme were meager and could not sustain the retrenchees because CSRP was implemented to meet donor conditionalities on an ad hoc basis without proper planning. Ironically, this was a case of improving the livelihood of one category and relegating another to poverty.

This study concedes-conditionality manifested as CSRP did abate rather than alleviate poverty amongst Kenyans. The study concludes foreign aid conditionalities do impact on public policy of recipient country. However this study acknowledges that although consequences of donor conditionalities adversely affected the recipient countries, in the long term some of the SAPs actually benefited these countries such as the liberation of money markets and other aspects that spurred economic growth. In fact the Public Service Transformation Programme currently being implemented has a promising potential to turn things around. However caution needs to be taken to avoid the pitfalls of the CSRPs.

This study further recommends early planning for staff retirement/retrenchment. Staff should be prepared for retirement/retrenchment immediately they are absorbed into the service on permanent and pensionable terms, by exposing them to various options that can sustain them after retirement/retrenchment. They can be guided on how to invest their earnings and retirement benefits such as acquiring real estate properties using cooperatives and putting their money in Trust Units, instead of banning them from engaging themselves in income generating ventures or

worse still, giving them a one week crash programme a few weeks to retirement/retrenchment. With proper guidance and advice, the staff can be assisted to earn a decent living while still in service without jeopardizing the quality of service delivery, and even upon retirement.

This study reveals that reduction of the public service wage-bill (by retrenchment and retirement) was not a solution towards reducing the country's current account deficit. Other factors like the real peculiarities of African economies such as Kenya's post-election violence in 2008 and the constant wrangling of the coalition government, immensely affected the country's economic growth. The gains made by ERS which realised an economic growth of 7% in 2006 and a decline in poverty levels from 56.8% to 46% were greatly eroded. The economy grew by only 2.3% in 2008 instead of the projected 7%. This study also concludes that as the Western donors continue to impose harsh conditionality, African countries are increasingly 'facing the East'. China is making tremendous inroads into African economies. The question begs- is this yet another scramble for Africa or is the cold war resurrecting in another form?

This study finally concludes that donors need to review their approach towards aid conditionalities and consider other factors that affect economic growth, rather than concentrate their energies on reforming the public sector per se.

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Annex 1. Interview guide for policy makers (serving civil servants)

1. What are impacts of foreign aid conditionalities on public policy in Africa?
2. Which are the main types of conditionalities imposed by foreign aid institutions?
3. How do donors undermine ownership of projects in Kenya?
4. How do donors dominate policy-making in Kenya?
5. Have donors created fragmented planning processes in Kenya? How?
6. What are the advantages of having foreign aid conditionalities in Kenya?
7. What can donors do to respect and support ownership?
8. How do foreign aid conditionalities impact the CSRPs?
9. What are the Kenyan government efforts to formulate alternative indigenous policies?
10. What is the role of think-tanks in the policy making process?

Annex 2. QUESTIONNAIRE

Dear respondent,

My name is Zarina Kasu, a part-time student of Masters in International studies at the Institute of Diplomacy and International Studies (IDIS), University of Nairobi. I request for five minutes of your valuable time to fill out this questionnaire.

The information that you provide will assist in my research which is about foreign aid conditionalities and their impact on public policy: a case study of civil service reforms in Kenya.

Your responses are confidential and strictly for research purposes only. I am therefore requesting for your honest and candid responses.

SECTION A- RESPONDENT'S PROFILE

Mark (X) where appropriate

1. Gender: Male () Female ()

2. Age bracket
21- 30 () 31 - 40 () 41-50 () 51- 60 () 61- 70 ()

3. Are you
 - a. A serving civil servant ()
 - b. Retired ()
 - c. Retrenched ()

4. Highest level of education*
 - a. Secondary school level ()
 - b. College (Diploma) ()
 - c. University (Bachelors) ()
 - d. University (Masters) ()
 - e. Other (specify).....

*(If no longer in service, indicate level at the time of retirement/retrenchment)

5. Job group

- a. 'A' - 'H' ()
- b. 'J' - 'N' ()
- c. 'P' - 'S' ()
- d. 'T' and above ()

*(at the time of retirement/retrenchment for non-serving officers)

6. Monthly net salary (specify)*

.....

*(at the time of retirement/retrenchment for non-serving officers)

7. If you are retired, specify under what package-

- a. Normal retirement ()
- b. Voluntary Early Retirement (VER) ()
- c. Any other (specify)

8. If retired/retrenched, for how long had you served in the civil service?

.....years

SECTION B- IMPLEMENTATION OF CIVIL SERVICE REFORMS

9. How did you first learn about your retrenchment?

- (a) By official letter ()
- (b) Rumours ()
- (c) Verbal communication ()
- (d) Any other (specify) ()
- (e) Not applicable ()

10. Were you

- (a) Adequately prepared for the retrenchment ()
- (b) Inadequately prepared ()
- (c) Not prepared at all ()

***SELF PREPARATION**

11. Did you have dependents at the time of retirement/retrenchment?

- (a) Yes ()
- (b) No ()

12. If 'Yes', how many (specify)?

.....

13. Did you undergo any training to prepare you for retirement/retrenchment?

- (a) Yes ()
- (b) No ()

14. If 'Yes', was the training beneficial?

- (a) Yes ()
- (b) No ()

Specify.....
.....
.....
.....
.....
.....

SECTION C- INCOME STATUS AFTER RETIREMENT/RETRENCHMENT

15. Did your livelihood improve with the retirement/retrenchment package?

(a) Yes ()

(b) No ()

16. You are currently meeting your financial obligations from

(a) Income generated from business ()

(b) Salary ()

(c) Pension()

(d) Support from relatives ()

(e) Any other (specify) ()

17. Are you earning more or less compared to when you were in service?

(a) More ()

(b) Less ()

18. How has the change in income impacted on your livelihood?

(a) Comfortable ()

(b) More financial strain ()

(c) Less financial strain ()

(d) Any other (specify) ()

19. Are you -

(a) able to meet all your financial obligations ()

(b) hardly able to meet all your financial obligations ()

20. In your view, was the retirement/ retrenchment package

(a) Adequate ()

(b) Inadequate ()

21. Give reasons why.....

.....

.....

.....

.....

.....

.....

22. In your view, was the retirement/ retrenchment programme

(a) Efficiently implemented ()

(b) Inefficiently implemented ()

23. If (b) state how it could be done better

.....

.....

.....

Thank you for participating in this study

ZARINA EBRAHIM KASU