

UNIVERSITY OF NAIROBI

Institute for Diplomacy and International Studies
[IDIS]

The Influence of Foreign Aid Conditionalities on Domestic Policy Making: A Case Study of Policy Making in Kenya, 1995 – 2005

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R50/P/9240/04

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A Research Project submitted in partial fulfilment of the award of
The Degree of Master of Arts in International Studies



SEPTEMBER 2007

DECLARATION

I, Odhiambo Morris, hereby 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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This project has been submitted for examination with my approval as University Supervisor.

Signed  Date 16/11/2007

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ACKNOWLEDGEMENTS

I wish to acknowledge the following people without whose assistance this report could not have been produced in good time for the assessment: my supervisor, Professor J. D. Olewe Nyunya, for according me sufficient time in his very busy schedule; Bernard Masiga, External Resources Department [ERD], Ministry of Finance [MOF], for his patience and guidance during the field work, and all the other individuals within that department who were good enough to take part in this study as respondents; the representatives of donor institutions who took part in this study; my brother in the academic/intellectual struggle, Romanus Opiyo [ADD], who refined my sketchy knowledge of the Statistical Package for Social Science [SPSS] data analysis package and, finally, Moyi Aloyce, of the Citizen's Coalition for Constitutional Culture – 4Cs – my research assistant.

ABSTRACT

This study sought to establish the influence of foreign aid conditionalities on domestic policy decision making using Kenya as a case study. The study applied various methods of data collection involving both primary and secondary data.

The funding relationship between aid giving and aid receiving countries has consequences in the arena of international politics involving relationships between states. Most providers of aid are rich industrialised nations of the North while most aid recipients are poor, underdeveloped countries of the South. Aid creates a relationship of subordination and super-ordination between states. Though both rich and poor states are members of multilateral aid institutions, the richer states have more stakes and control over these institutions because of higher levels of financial contribution.

Based on the evidence gathered and the analysis made, this study reached the following key conclusions in regard to the study objectives and hypotheses: 1] that foreign aid conditionalities influence decision making to a large extent in aid receiving countries; 2] that the institutions mandated with aid management play a prefecture role in policy making and implementation over governmental institutions in Kenya; and 3] that a number of key policy decisions made by GOK during the review period can be traced to donor conditionalities.

The views contained herein must be understood to be the views of individuals in GOK and donor agencies and may not be too critical, if at all, about aid policies.

ABBREVIATIONS

ADB	African Development Bank
AGC	Aid Giving Countries
ARC	Aid Receiving Countries
C&AG	Controller and Auditor General
CAP	Country Assistance Plan
CBK	Central Bank of Kenya
CIDA	Canadian International Development Agency
CSRP	Civil Service Reform Programme
CKRC	Constitution of Kenya Review Commission
COMESA	Common Market for Eastern and Southern Africa
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DPP	Directorate of Public Procurement
DC	Developed Countries
DFID	Department for International Development
DMD	Debt Management Department
EAC	East African Community
ERD	External Resources Department
EPSRC	Economic and Public Sector Reform Credit
ERS-WEC	Economic Recovery Strategy for Wealth and Employment Creation
FDI	Foreign Direct Investment
FWW	First World War
GDP	Gross Domestic Product
GJLOS	Governance, Justice, Law and Order Sector Reform Programme
GNP	Gross National Product
GOK	Government of Kenya
GTZ	Germany Agency for Technical Cooperation
HAC	Harmonisation, Alignment and Coordination
IDIS	Institute of Diplomacy and International Studies
IGAD	Inter-Governmental Authority on Development
IMF	International Monetary Fund
JCC	Judicial Code of Conduct
JDC	Judicial Service Commission
JICA	Japan International Cooperation Agency

KACC	Kenya Anti-Corruption Commission
KANU	Kenya National African Union
KCB	Kenya Commercial Bank
KEAP	Kenya External Aid Policy
KENAO	Kenya National Audit Office
KPA	Kenya Ports Authority
KNCHR	Kenya National Commission on Human Rights
KTDA	Kenya Tea Development Authority
KTDA	Kenya Tea Development Agency
KUTIP	Kenya Urban Transport Project
LDC	Least Developed Countries
MOA	Ministry of Agriculture
MOE	Ministry of Education
MOF	Ministry of Finance
MOH	Ministry of Health
MOP	Ministry of Planning
NARC	National Rainbow Coalition
NATO	North Atlantic Treaty Organisation
NGO	Non-Governmental Organisation
NHIF	National Hospital Insurance Fund
NORAD	Norwegian Agency for Development and Cooperation
NSSF	National Social Security Fund
ODA	Overseas Development Assistance
PRSP	Poverty Reduction Strategy Paper
RNE	Royal Netherlands Embassy
SIDA	Swedish International Development Agency
SWW	Second World War
TELKOM	Telkom Kenya Ltd.
TVERS	Targeted Voluntary Retirement Scheme
UN	United Nations
UNDP	United Nations Development Programme
UNGA	United Nations General Assembly
USA	United States of America
USAID	United States Agency for International Development
USSR	Union of Socialist Soviet Republics
WB	World Bank

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Problem

This study sought to establish and analyse the impact of foreign aid conditionalities on domestic decision making by Aid Receiving Countries [ARCs]. The relationship between foreign aid and decision making is indeed a controversial one in international relations. Development aid touches on significant issues relating to the state system such as state sovereignty, independence, interdependence, self-determination and dignity.

Though the issue of sovereignty has somewhat been watered down in recent years¹, important decision making roles remain a cornerstone of the state as an avenue through which individuals and groups express themselves and handle their affairs. Yet, as states jostle for resources and power, certain elements of statehood, including the scope of decision making by individual states, get undermined or enhanced. The ability of states to assert statehood depends largely on the power² of states and their ability to influence other states.

Foreign aid is a component of development aid, which refers to funds supplied at concessional interest rates by Aid Giving Countries [AGCs] to support “development” in Aid Receiving Countries³. Development aid is composed of three separate components:

¹ See, for instance, Kindiki, K., Universal Jurisdiction for International Crimes, the Public Good and the Changing Nature of State Sovereignty, IN The University of Nairobi Law Journal, Vol. 2, Issue 1 [2004]

² Power is seen here as the extent to which a state is able to influence overall decision making in the system so that other states are compelled to follow its lead

³ This includes grants and “grant element” in loans

governmental [ODA⁴ or simply foreign aid], foreign investment [FDI] and private [NGOs and others].⁵ Foreign aid is usually given by AGCs through individual countries' international aid agencies and through multilateral institutions such as the World Bank.⁶

Foreign aid is an outcome of the historical relations that have developed after many years of interaction between states and the historical factors that have shaped these interactions. Many writers trace the origin of foreign aid to the period after the Second World War [1939-1945], which brought devastation to various countries in Europe necessitating reconstruction efforts. Through the Marshal Plan the US transferred about 1.5 per cent of its Gross National Product [GNP] to help in the reconstruction efforts.⁷ After the reconstruction of Europe, President Harry Truman of the US extended the concept of Marshal Plan to support key countries in the Third World.⁸

Scholars have advanced different motivations for this important development that saw the beginning of a process of systematic disbursement of official aid. Realist analysts have emphasised the connection between the origin of aid and the then evolving world order; idealists on the other hand have tended to highlight humanitarian reasons. For realists,

⁴ ODA is defined by the OECD (1996: 249) as "those flows to developing countries and multilateral institutions provided by official agencies, including state and local governments, or by their executive agencies, each transaction of which meets the following tests: (a) it is administered with the promotion of the economic development and welfare of developing countries as its main objective; and (b) it is concessional in character and conveys a grant element... of at least 25 percent."

⁵ This is according to one source. The classification of FDI as aid may prove to be contentious. However this contention may not be within the scope of this study as it deals only with the private/NGO element of development aid [Wikipedia, the free encyclopedia [http://en.wikipedia.org/wiki/official_development_assistance]

⁶ Wikipedia, the free encyclopedia [http://en.wikipedia.org/wiki/official_development_assistance]

⁷ Gillis M., et al, Economics of Development, Second Edition, W. W. Norton and Company, London, 1987, at pg. 366

⁸ Robert J. Berg and David F. Gordon, Cooperation for International Development: The United States and the Third World in the 1900s, Lynne Rienner Publishers Inc., UK, 1989, at pg. 1 [See literature review section for a more detailed discussion on the origins and motivations of aid]

for instance, “containing communism” and securing raw materials for US industries have been seen as prime considerations.⁹

The above perspectives have led to questions about aid, its motivations and intentions, and how it has impacted on the way states relate. Literature on the subject shows a great deal of disagreement over what aid means in development and international relations. Generally, aid disbursement is tied to certain conditionalities that ARCs are expected to adhere to and which constitute key areas of policy decision making.

The aim of this study, as already stated, was to analyse the influence that foreign aid has on domestic policy decision making as a way of enhancing the understanding of international relations. The present introductory chapter outlines the background to the problem; it then presents the problem statement, objectives, justification, literature review, theoretical framework, study hypotheses, methodology and finally the chapter outline.

1.2 Problem Statement

It is generally accepted that foreign aid does not operate in a political vacuum. The flow of aid and the conditionalities tied to aid suggest that there is a power relationship that conditions aid and, by extension, the relationship between AGCs and ARCs. Through aid conditionalities, decisions in ARCs are seen to emanate from external agencies and not from within the apparatus of state. Policy making in this case may not be a factor of the

⁹ Gillis M., op cit, at pg. 366

policy priorities and decision making organs of these states, *per se*, but is a product of the additional element of negotiations with other states and agencies that give aid.

States have certain responsibilities towards their populations. As a collective, the people in a state formulate social, political and economic policies that help enhance their wellbeing. From a realist perspective, one of the functions of the state is to enhance its power *vis a vis* other states.¹⁰ It may further be argued that states are in a better position to realise their interests and the interests of their populations if they enjoy certain leverage in negotiating with other states. In a situation where important decisions are made, not by agents of state and government, but by foreigners including donors, it may not be clear whose interests are served since states compete for scarce resources.

A critical reading of the literature on aid, its philosophy and disbursement mechanisms, suggests that rich states enjoy certain leverage over weak, poor states including in areas of important decision making. The place of aid conditionalities in the relationship between AGCs and ARCs is also highlighted. Though idealists see aid as an attempt to ameliorate weak conditions of the poorer states, the nature of the states' system demands that the relationships that emerge from the reality of aid disbursement be subjected to critical appraisal.

To address the identified problem, the study used Kenya as a case study. On a more global perspective, the study contributed to further understanding of the relationship

¹⁰ See, for instance Morgenthau, H., Thomson, K. W., Politics Among Nations: The Struggle for Power and Peace, Sixth Edition, Kalyani Publishers, New Delhi-Luthiana, 1991

between AGS and ARS in the states system and questioned the assumed notions of independence, interdependence and sovereignty in as far as these are related to or impacted by foreign aid. The problem under investigation was expressed as follows: *Influence of external interests on Kenya's policy making enabled by aid conditionalities.*

1.3 Justification and Significance of the Problem

There were both academic and policy reasons for this pursuit. First, the understanding of international politics demands that one gathers insight into the working of the global system. Foreign aid provides an important window towards this understanding. True, it is a window that has been pried open before. However, the study is specific to Kenya and this belies its uniqueness: it makes sense to further understanding of world politics by compiling case studies of individual countries since these countries experience the pressures of global “anarchy” differently.

Second, despite critical studies the orthodoxy of the importance of aid to developing countries continues to be held high in certain quarters. The paradox of aid in development is captured thus:

Whatever happens in the recipient countries can be adduced to support the maintenance or extension of aid. Progress is evidence of its efficiency and so an argument for its expansion; lack of progress is evidence that the dosage has been insufficient and must be increased. Some advocates argue that it would be inexpedient to deny aid to the speedy (those who advance); others, that it would

be cruel to deny it to the needy (those who stagnate). Aid is thus like champagne: in success you deserve it, in failure you need it.¹¹

As ARCs attempt to confront their developmental problems and as countries such as Kenya try to define their destiny and advanced their interests, there is need to clarify the implications of aid in the international economic and political environment. This may lead to a re-evaluation of the profound faith in aid as the prime mover of development and lead to a re-conceptualisation of the solutions to the prevailing situation.

Third, development aid is a major policy issue in African countries including Kenya. However, the discourse over this issue has mainly rotated among elites – business people, government bureaucrats and aid agencies – whose view of aid is informed by transient needs and vested interests. The majority of citizens in whose names aid is secured with long term effects on their welfare are not consulted. This is an important matter as Kenya's political socialisation continues to transform from a passive non involved citizenry to an active citizenry that demands accountability from its leadership.

Finally, there are issues related to the aid phenomenon that require wider understanding. These issues include the implications of aid on sovereignty and self determination of states and the burgeoning debt problem in Africa, among other ARCs, and Kenya in particular. The debt crisis is particularly one that demands attention. The many attempts put in place to address the debt crisis have not borne much fruit. There is also no consensus on how to tackle the problem; some have argued for debt cancellation while

¹¹ Hancock, G., Lords of Poverty, Macmillan London Ltd., 1989, at pg. xv

others consider the orthodoxy of debt rescheduling as the panacea. ARCs continue to bear the brunt of re-servicing aid whose impacts on their populations may not be much.

Based on the nature of the problem as stated above, the purpose of this study was to understand the influence of foreign aid on Kenya's domestic policy making. This purpose was attained by examining the relationship between foreign aid receipt, donor conditionalities and specific decisions made by the Government of Kenya.

The study employed both qualitative and quantitative methods of data collection and analysis. It dealt with the period between 1995 and 2005. This period is significant because of political dynamics in the country. First, conditionalities became a main feature of aid disbursement beginning early 1980s. Kenya reverted to multiparty politics in 1992 after a high level of pressure from both within [from pro-multiparty groups] and without [mainly as a result of political conditionalities].

The country's quest for reform of governance and particularly through constitution review crystallised around 1995 – when the then head of state promised to invite experts to advice on reviewing the country's constitution – to 2005 when the Proposed New Constitution of Kenya [PNCK] was defeated in the country's first-ever referendum.

1.4 Objectives of the Study

The general objective of this study was to analyse the relationship between foreign aid and domestic policy decision making. Specifically, the study sought to achieve the following objectives:

1. To document, describe and analyse the trends and character of foreign aid received by GOK during the period under review;
2. To establish, document and analyse donor conditionalities tied to foreign aid received by GOK during the study period;
3. To analyse and describe the policy implications of specific donor conditionalities; and
4. To analyse and describe the extent to which donor conditionalities influenced policy decisions taken by the GOK.

1.5 Research Questions

The study sought to answer the following main questions:

1. What were the characteristics and trends of foreign aid received by GOK between 1995 and 2005?
2. What donor conditionalities were tied to foreign aid received by GOK during the period under review?
3. What were the key determining factors of conditionalities imposed by the different donors?
4. What were the policy implications of the donor conditionalities tied to foreign aid received by GOK?

5. What was the level of adherence to conditionalities tied to aid?
6. Did donor conditionalities lead to specific policy measures by GOK?

1.6 Hypotheses

The study was guided by the following hypotheses:

- (i) Foreign aid conditionalities have influenced Kenya's policy making to a great extent;
- (ii) Foreign aid conditionalities have not had much influence on Kenya's policy making; and
- (iii) Some key policies in Kenya can be attributed to foreign aid conditionalities.

1.7 Scope and Limitations of Study

The study was undertaken in the East African country called Kenya, which is the country of nationality of the researcher. The study was both qualitative and quantitative in nature. A total of 38 respondents [18 GOK officials and 20 donor representatives] were surveyed while an additional 15 key informants [10 donor representatives and 5 GOK officials] were interviewed. In addition, secondary data analysis was conducted mainly from governmental and donor documentation on aid matters.

The study relied on data from GOK sources in documenting, comparing and analysing the foreign aid receipt. Accessing such information was one of the major constraints. Primary data on foreign aid receipt was not available at the ERD, which is the institution

responsible for records on external resources. The author's attempts to organise the data through the data office were unsuccessful. To ameliorate this situation, the researcher relied on published sources such as the UNDP Development Cooperation Report and the Organisation for Economic Cooperation and Development [OECD sources].

Secondly, securing appointments with policy makers in the relevant ministries such as Planning and National Development and Ministry of Finance as well as donor representatives for the key informant interviews was a major constraint. Because many of the key informant respondents requested not to be named in the report, a coding system was found to identify the key informants as is explicit from the next three chapters.

1.8 Literature Review

1.8.1 Introduction

There exists today a large body of literature on the matter of foreign aid both in its technical aspects and the politics involved in its disbursement. This signifies the importance of foreign aid in the development discourse generally and in international relations in particular.

Broadly, two categories of views on foreign aid can be discerned from the relevant literature – on one extreme are the cynics of development aid, its objectives and its benefits who dismiss aid as a tool of manipulation of weak states by powerful states; and on the other are the “aid enthusiasts”, who defend aid basing their arguments on various

facets including the benefits and the morality of providing aid. There are sceptics in the middle who raise questions about the two extreme views.¹² This section deals with the review of literature relevant to the study. It begins by providing insights into the origins and meaning of foreign aid before discussing the motivations and justifications of aid.

1.8.2 *Meaning and Origins of Foreign Aid*

It is generally acknowledged that many countries, including the most currently economically advanced, have historically relied on foreign savings to augment local savings so as to spur domestic development. According to Gillis:

The United States relied heavily on foreign savings, particularly during the antebellum period from 1835 to 1860. Likewise Russia needed foreign savings to propel its development in the three decades before World War I and the communist revolution.¹³

The argument is that the internal savings of individual countries are often not enough to spur development of their economies hence the need for foreign savings.¹⁴ In regard to ARCs, other reasons often cited to justify aid include the economic and social differences between developed and developing countries, which make the cost of development enormous; the harsh international environment within which developing countries find

¹² These two categories, the cynics and the aid enthusiasts [referred to as "the credulous view"] are used by John White. See, White, J., The Politics of Foreign Aid, The Bodley Head Ltd., London, 1974]

¹³ Gillis M., et al, *op cit*, at pg. 363

¹⁴ Though this argument is still in vogue especially as a justification for providing aid to African countries, it is nevertheless acknowledged that some countries such as Japan have developed without foreign sources of funding. [See, Gillis M., et al, at pg. 363 and Akira, N., and Yasutami, S., The Economics of Development Assistance: Japan's ODA in a symbiotic world, LTCB, International Library Foundation, 1998, at pg. 9]

themselves; and the fact that the administrative establishments of these governments are young, inexperienced and powerless.¹⁵

Gillis categorises foreign aid as an element of foreign savings that are made available to countries on concessional terms in terms of grants or as soft loans. The concessional flows are also called Official Development Assistance [ODA].¹⁶

Many writers trace the origin of foreign aid to the period after the Second World War [1939-1945], which brought devastation to various countries in Europe necessitating reconstruction efforts. Through the Marshal Plan the US transferred about 1.5 percent of its Gross National Product [GNP] to help in the reconstruction efforts.¹⁷

After the reconstruction of Europe, President Harry Truman of the US extended the concept of Marshal Plan to support key countries in the Third World.¹⁸ In his famous speech, in which he also announced the formation of the North Atlantic Treaty Organisation [NATO], the President noted as follows:

Forth, we must embark on a bold new programme for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are

¹⁵ Akira, N., and Yasutami, S., The Economics of Development Assistance: Japan's ODA in a symbiotic world, LTCB, International Library Foundation, 1998, at pg. 9

¹⁶ Gillis M., et al, *et al*, at pg. 364

¹⁷ *Ibid*, at pg. 366

¹⁸ Robert J. Berg and David F. Gordon, *et al*, at pg. 1

victims of disease.... For the first time in history, humanity possesses the knowledge and skill to relieve the suffering of these people.¹⁹

The origins of foreign aid are important in as far as they are entwined with its motivations and politics of disbursement. For African countries, for instance, the historical circumstances under which the concept of aid developed have been very important in analysing their marginalisation in the global economic system. Coming from their experience with exploitation through colonisation and slavery, African countries were forced to supplement their meagre domestic savings with foreign capital so as to accomplish their development objectives.²⁰

The debt crisis is one of the most glaring areas of concern in the whole aid quagmire. A lot of the money that has been obtained from aid does not seem to have benefited the people of Africa. This has led to questions about the morality of continued payment of those debts. Graham Hancock and other critical analysts maintain that aid is a form of slavery used to perpetuate neo-liberal economic and political frameworks for the benefit of the West's economic agenda through the proliferation of multinational corporations.

If one takes this critical perspective, the way in which African states were initiated to the aid bandwagon takes the shape of deliberate manipulation for purposes of perpetuating and sustaining a global economic system that is completely against the achievement of

¹⁹ Wikipedia, the free encyclopedia [http://en.wikipedia.org/wiki/official_development_assistance]

²⁰ P. Godfrey Okoth and Bethwell, A. Ogot, Conflict in Contemporary Africa, Jomo Kenyatta Foundation, Nairobi, 2000, at pg. 190, at pg. 190

their development goals. Also, it is well documented that some countries such as Mozambique were literally forced to join the IMF and World Bank.²¹

1.8.3 *Motivations and justifications*

Scholars have advanced different motivations and justifications for the systematic disbursement of official aid for development from rich states to their poorer counterparts.

In summarising the prime motivations for aid, Riddell points out as follows:

“National self-interest, commercial considerations, historical links, political goals and the straightforward desire simply to accelerate economic growth in less developed countries are all motives that have been acknowledged as directly affecting policies governing aid flows over the last 25 years or so.”²²

It is this mix of motivations that has partly fuelled discourse on foreign aid. There are many different strands to the discourse but current efforts seem geared mostly towards ascertaining the connection between aid and development. The reason for this concern is obvious: there are those interested in arguing for the continuation of aid programmes and who opt to find further justifications for the status quo. On the other hand, critics of foreign aid have continued to raise eyebrows with their anti-aid claims and this has necessitated a reaction from adherents of aid, whatever their interests. Nonetheless, it was important for this study to look at the different motivations of ODA.

²¹ Hanlon, J., “It’s the IMF that runs Mozambique”, IN Sogge, D., Mozambique: Perspectives on aid and the civil sector. GOM, Netherlands, 1997, at pg. 19

²² Riddell, R. C., Foreign Aid Reconsidered, James Currey Ltd., London, 1987, at pg. 3

“Political and economic realists” have emphasised the connection between the origin of aid and the then evolving world order; idealists on the other hand have tended to highlight humanitarian reasons for aid disbursement to poor countries. For the realists, political and ideological considerations such as “containing communism”, and economic imperatives such as securing raw materials for US industries were prime considerations.²³

Gor Seth submits to the view that aid came to Africa expressly because of Cold War rivalries. He points out as follows:

Faced by the possibility of a massive spread of Russia’s influence over these countries, the western European allies together with the USA, moved fast to establish allies of friendly countries most of which became the leading recipients of their foreign assistance programmes ...²⁴

It is opined further that aid was also meant to give the “emerging nations a stake in the capitalist world order.... US aid policy was also intended to encourage the new countries to maintain or adopt democratic political institutions and private-enterprise based economies in the US image”.²⁵ Looked at from this perspective, the conceptual basis of foreign aid must be understood in the context of the Cold War, which pitted the US and the then Union of Soviet Socialist Republics [USSR].²⁶

²³ Gillis M., *op cit*, at pg. 366

²⁴ P. Godfrey Okoth and Bethwell, A. Ogot, *op cit*, at pg. 190

²⁵ Gillis M., *op cit*, at pg. 367

²⁶ Wikipedia, the free encyclopedia [http://en.wikipedia.org/wiki/official_development_assistance]

The political nexus to the origins of the foreign aid idea is given weight by certain practices in aid disbursement. These practices – and their implications on international relations – are important in exploring and understanding the relationship between aid and international politics. In disbursing aid, for instance, rich nations tend to favour those nations in the developing world with which they have historical connections mainly because of the colonial experience.

Thus, as Hancock notes, India and Kenya, two former colonies of the UK, have also been leading beneficiaries of aid from that country.²⁷ Further, geopolitical interests have also played a key role in shaping aid disbursement patterns. Hancock further notes that in disbursing aid the United States gives priority to Philippines, where it has several military bases and to Egypt, “which it sees as a conservative bastion against the spread of communism from neighbouring Libya”.²⁸

Moral arguments have also been presented to justify aid programmes. As Riddell observes, the British government’s position on foreign aid is that:

“It is both right from a moral point of view and in our long-term interest to promote economic and social development in the poor countries of the world, particularly those with which Britain is closely associated.”²⁹

²⁷ Graham Hancock, Lords of Poverty, Macmillan London Ltd., 1989, at pg. 46 [See also, Holsti, K. J., International Politics: A Framework of Analysis, Sixth Edition, Prentice Hall of India, New Delhi, 1992, pg. 194]

²⁸ *Ibid*

²⁹ Riddell, R. C., *op cit*, at pg. 3

Yet here again one sees the confluence of interests and it is hard to discern whether or not the moral arguments override the considerations of self-interests. This notwithstanding, moral arguments seem to capture the goodwill of the publics in developed countries. Riddell quotes a number of opinion polls within Britain and in the wider European Economic Commission [as it then was] in which the respective political publics support foreign aid for the simple reason that, “we have a moral duty to help them”³⁰. It is not clear whether this obligation owes from past experiences with imperialism or is simply informed by a feeling of compassion.

Riddell’s problem with the moral duty perspective is the fact that it does not seem to be based on any critical appraisal of the situation. The case, he points out, is often stated without sufficient explanation. This is compounded by the fact that it is not always easy to assert the usefulness of aid. Many times the critics of aid are dismissed by those who work in the aid industry. The result is that the views of those who have challenged the conventional positions about aid have remained peripheral.³¹

Moral arguments, if they still have the same force as they did in the 1950s and 1960s, somehow share the same platforms with debt servicing, which cost huge percentages of the GDPs of many developing countries. In deed, the moral argument seems to lose its vigour when tested against calls for debt cancellation. The question often posed is: what moral arguments could have as much force as the argument for the forgiveness of aid, a call that western lenders have completely refused to listen to?

³⁰ *Ibid*, at pg. 3

³¹ *Ibid*

However, in some analysis idealistic moral concerns have found common resonance with realist self interest without seeming to conflict. Hence President Kennedy's assertion that, "if a free society cannot help the many who are poor, it cannot save the few who are rich"³². In an official document, the argument for aid was put thus:

"The concepts of human dignity and the claims to social equality ... no longer halt at the frontiers of nationality or race. ... The growing feeling of international solidarity and responsibility reflects a deeper insight into the facts that peace, freedom and welfare are not an exclusively national concern, but something increasingly universal and indivisible. The idealistic motives behind assistance are thus at the same time highly realistic ... No other kind of motive is needed for the extension of assistance by Sweden to underdeveloped countries"³³.

One author has attempted to dismantle the commonly held cynical view of aid. Writing in 1974, White cautioned both the cynics and "credulists" of development aid. Basing his argument on the fact that much of the criticisms of international aid have been uninformative generalisations, White suggested the need for empirical data to prove claims as to the use and benefits of aid. In his book, *The Politics of Foreign Aid*, White sets for himself the task of providing answers to two questions: what has been the results

³² Riddell, R. C., *op cit*, at pg. 6

³³ *Ibid*

of the transactions called aid?, and two, should that result be regarded as harmful or beneficial?³⁴

White's problem with the cynics of aid is that they tend to lump together all the transactions that fall under the "aid" phenomenon and offer what he sees as sweeping criticisms. In his words:

"One was the cynical view according to which the alleged commitment to development exhibited by the institutions that provided and received these resources was fraudulent, and what was called "aid" was in fact merely an instrument used by these institutions for their own selfish advantage. There was an even simpler version of this view, according to which aid was used by the countries in which the institutions providing aid were located, as one of several instruments at their disposal to dominate and control the countries in which aid made an appearance"³⁵.

White also criticised the credulous view, which in his view, stood on the following "incredulous" ground:

"The opposite view was a credulous one, according to which one could trace in the apparently new activity of aid-giving the dim outline of a new world order. Rich countries, the governments of which had already accepted some sort of

³⁴ White, J., *op cit*, at pg. 23

³⁵ *Ibid*, at pg. 12

continuing obligation for the welfare of the less fortunate members of their own societies, would apply the same principle to the welfare of other societies in other parts of the world”³⁶.

White took a position of defending the continuation of aid because “one cannot contemplate giving up”³⁷. He reasoned that the case for “aid must ultimately rest on a belief that the rich have a moral obligation to help the poor”³⁸. It is not clear however, what the basic premises of this assertion are and, though he tries to present a reasonable case for a rigorous analysis of the benefits of aid, his view is, as he admits already coloured by his desire to present a case for continuation of aid. This is how he sums up his argument:

“I am not even wholly convinced that aid has on balance been beneficial to the recipients, or that the true recipients have on balance been the poor, who constitute the moral case’s central concern. But I am convinced that some aid has fulfilled its moral purpose sometimes, that the proportion can be increased, that it can be done without a fundamental change of human nature or of systems of international relationships, that it is worth doing, and that trying to do something else would not in practice achieve any more desirable result.”³⁹

³⁶ *Ibid*

³⁷ *Ibid*, at pg. 8

³⁸ *Ibid*

³⁹ *Ibid*, at pg. 9

Thus the literature on motivation and justifications of aid programmes presents a fuzzy picture. However, there is obvious emphasis on certain considerations: that aid can be considered as a moral obligation on the part of rich states or as an additional tool in the arsenal of real politic. The position taken by scholars in this debate depends largely on their individual theoretical inclinations.

The above subsection has presented important perspectives on the origins and meaning origin as well as motivations and justifications for aid. Some important aspects of the foreign aid debate such as the debt problem have also been highlighted. The section below looks at some theories that relate to the aid debate.

1.9 Theoretical Framework

1.9.1 Theories of International Relations and Foreign Aid

This subsection focuses on three important theories of international relations – realism, liberalism and Marxism – and evaluates their relationship with foreign aid. It also highlights some of the “mid-level theories” derived from these three theories that have a direct bearing on certain aspects of the foreign aid debate.

Finally, an evaluative perspective is presented focusing on the relationship between the dependent and independent variables, that is, foreign aid and domestic policy decision making respectively.

The realist conceptualisation of international politics took shape after the Second World War with the publication of E. H. Carr's *The Twenty Years Crisis: Introduction to the Study of International Relations*. Carr's work became the "concrete" intellectual expression of this view which emphasised the centrality of the state in international political analysis. *The Twenty Years Crisis* was essentially a critic of idealist assumptions as expressed by scholars such as Bertrand Russell⁴⁰ and political players like Woodrow Wilson in his 14 point programme.⁴¹

Morgenthau's publication, *Politics Among Nations: The Struggle for Power and Peace*, and specifically the Six Principles of Realism,⁴² provided the theoretical foundation for realist analysis. One of the key assumptions of the realist school of thought is that states are the principle and most important actors in international system. The key concern of states is interest defined as power. Since states exist in an anarchical setting with no overarching authority to mediate interests and secure peace, the pursuit of power enhances the chances of a state achieving its interests. For realists, human nature is essentially egoistic and competitive; human beings are naturally power seeking and act in a rational way to protect their interests.⁴³

⁴⁰ See, for instance, Russel, B., *Political Ideals*, Routledge, London, 1994

⁴¹ Morgenthau H. J., *op cit*, p. 284

⁴² *Ibid*, p. 4

⁴³ Karns M., [et al], *International Organisation: The Politics and Processes of Global Governance*, *ibid*, pp. 45

Realism also holds that states are unitary actors and, therefore, a country faces other countries as an integrated unit. According to realism, states are also rational actors. In this regard, foreign policy makers apply the rational actor model to arrive at rational decisions. This approach includes setting of objectives, consideration of all feasible alternatives, and picking of the option that is most likely to maximise results.

For traditional realists, international cooperation [an essential justification of foreign aid] through international organisation and international law has been ineffective.⁴⁴ Morgenthau argued that international organisations are only important in as far as they are tools at the disposal of states to use when desired.⁴⁵ Neo-realists such as Kenneth Waltz contended with the question of whether or not cooperation is possible and on what terms. Waltz posited that:

“When faced with the possibility of cooperating for mutual gain, states that feel insecure must ask how the gain will be divided. They are compelled to ask not “Will both of us gain?” but “Who will gain more?” If an expected gain is to be divided, say, in the ratio of two to one, one state may use its disproportionate gain to implement a policy intended to damage or destroy the other.”⁴⁶

By emphasising the interests of states in international relations, the realist perspective is critical of moral considerations in the foreign aid debate. It puts emphasis on the real politic considerations of AGCs in providing aid. From this perspective foreign aid falls

⁴⁴ *Ibid*, pp. 46

⁴⁵ *Ibid*

⁴⁶ *Ibid*, pp. 47

within the calculations of powerful states and aims at increasing their own power [by influencing decision making in other states and securing allies, among others] as the overarching priority. The fact that aid can be beneficial to ARCs is secondary in this hierarchy of priorities. This view concurs with the views of aid “credulists” such as Graham Hancock who hold the view that aid is an assault on the sovereignty of ARCs.

Liberalism

The liberal paradigm is often seen as the key alternative to the realist framework of analysis in international relations. Liberalism, among others, deviates from the state centric view held by realism and puts emphasis on other aspects of international relations including the importance of Non-State Actors [NSAs]. It also rejects the “fixed” concept of sovereignty promulgated by realists, arguing that the concept of sovereignty itself is subject to change.

The roots of liberalism can be traced to the Grotian tradition of international law and morality which rejected the idea that states can do whatever they wish and that war is the supreme right of states.⁴⁷ As opposed to realism, liberalism holds that human nature is essentially good and that people are capable of improving the moral and material conditions of their existence; traditional realism on the other hand is based on Machiavellian interpretation of human nature as egoistic and selfish.

⁴⁷ *Ibid*, pp. 35-6

In addition, liberalism holds that war is a product of corrupt social institutions and of misunderstanding among leaders and is not inevitable in human affairs; realists' construction of the world, on the other hand, is one in which conflicts are inevitable. Further, for liberalists, individuals and not states are the primary actors in international relations; states are pluralistic and not unitary. Liberal scholars put emphasis on non-state actors and trans-national and trans-governmental groups. Importantly, liberalists see the world as a "a context within which multiple interactions occur and where various actors "learn" from their interactions, rather than a structure of relationships based on the distribution of power among states and a fixed concept of state sovereignty".⁴⁸

Because of its emphasis on cooperation among states and de-emphasis of the competitive nature of states, liberal scholars would consider aid as an important aspect of development cooperation devoid of manipulation by powerful states. Liberalists would view the moral arguments for aid as sufficient justification and disregard the positions held by the "credulists" of aid. Questions of sovereignty that arise in aid transactions would not be an important consideration.

Marxism

Marxism is one of the important critical theories that challenge conventional wisdom about the reality of international relations. Specifically, Marxism challenges both realism – and its focus on the primacy of power and the existing order – and liberalism and its

⁴⁸ *Ibid*, pp. 37

optimism about the “benefits of expanding markets for peace and stability”.⁴⁹ Marxist analysis puts emphasis on historical developments that have shaped international relations particularly the relationship between weak and powerful states. The understanding of how “structural change occurs and the role of social forces” is a key concern in Marxist analysis.⁵⁰ One of the variants of Marxist theory – dependency theory and how it relates to the foreign aid debate – is discussed in depth herein below.

Dependency Theory and Foreign Aid

Dependency theory developed as a reaction to the modernisation paradigm developed by Western scholars to promote economic development of the newly emergent nation states in Africa, Latin America and Asia during the post-Second World War period. The central claim of the dependency theorists was that development problems in the less developed world responded to the unequal distribution of resources created by the global expansion of Western capitalism.⁵¹

According to the dependency paradigm, the problems of underdevelopment were not internal to Third World countries but were determined by external factors and the integration of former colonies into the world economy. What underdeveloped countries in their state of underdevelopment were social and economic factors, namely the dominated position that those countries had in the global order.⁵²

⁴⁹ *Ibid*, pp. 52

⁵⁰ *Ibid*, pp. 52

⁵¹ Ferraro, V., Dependency Theory: An Introduction, July 1996

[<http://www.comminit.com/strategicthinking/stsilviocomm/sld-1782.html>]

⁵² *Ibid*

Generally, the conceptual foundations of dependency theory contradict the prescriptions offered by the modernisation theorists. If one accepts the analysis offered by the dependency theorists, then clearly the success of the advanced industrial economies of America and Europe cannot be said to provide a framework for industrial development in poor countries in the way propounded by Rostow and others. One must remember also that the definition of development adopted by the modernisationists was limited to “economic growth”.

In deed, as observed by a critic, “Dependency theory suggests that the success of the richer countries was a highly contingent and specific episode in global economic history, one dominated by the highly exploitative colonial relationships of the European powers. A repeat of those relationships is not now likely for the poor countries of the world”.⁵³ The modernisation framework had taken this aspect for granted, which lends credence to the suggestion that it was a status quo theory geared towards perpetuation of unequal relationships.

How does the dependency theory address foreign aid? Seen from the perspective of developing countries, in a relationship characterised by considerations of real-politic, foreign aid is nothing but an effort to sustain the status quo of economic relationships between the developed and the poor countries. Theotonio dos Santos looks at foreign aid in the broader context of dependency and observes as follows:

⁵³ *Ibid*

“Foreign funding and foreign “aid” thus fill up the holes that they themselves created. The real value of this aid, however, is doubtful. If overcharges resulting from the restrictive terms of the aid are subtracted from the total amount of the grants, the average net flow, according to calculations of the Inter-American Economic and Social Council, is approximately 54 percent of the gross flow.”⁵⁴

Available evidence suggests that options that might go a greater distance to solve the developmental problems of poor nations have been frowned upon by policy makers in their richer counterparts. These options include cancellation of debts so as to free resources of poor nations to go into other priority areas such as infrastructure development; and freer trade especially in those areas where poor nations have comparative advantage. Whereas a few countries in Africa and elsewhere have had their debts reduced or cancelled for instance through the Heavily Indebted Poor Countries Initiative [HIPC] the criteria for this exemption extremely narrowed the field of the countries benefiting from the initiative.

*1.9.2 Foreign Aid and Domestic Policy Decision Making*⁵⁵

The views expressed in the literature and theories reviewed in this chapter lead to the conclusion that one’s view on the influence of aid on domestic decision making is shaped by the lenses through which they view international relations. In deed, a critical appraisal

⁵⁴ Theotonio dos Santos, “The Structure of Dependency”, IN Goddard [et al – Eds], International Political Economy: State-Market Relations in a Changing Global Order, 2nd Edition, Lynne Rienner Publishers, Inc., 2005, pg. 172

⁵⁵ See definition of terms for the operational meaning

of aid in any dimension, for instance, whether aid is beneficial to ARCs or not, is likewise guided by one's paradigm.

A discussion of the relationship between foreign aid and domestic policy decision making has to take into account aid conditionalities and the relationships of subordination and super-ordination that result from foreign aid. Aid conditionalities provide the nexus between foreign aid and influence on domestic decision making. In discussing some of the problem areas in the implementation of structural adjustment programmes, Akira and Yasutami point out the following:

“In the structural adjustment scenario, the World Bank and the government of the developing country are supposed to come to an agreement on the specific form the reform package will take, but since the prospective recipient is in dire economic straits, it has little bargaining power and is hardly able to express its position on equal terms with an international institution.”⁵⁶

This simply means that there is in deed a relationship of subordination and super-ordination in the implementation of aid programmes. This happens within a context where multilateral institutions are under control of richer states and where decision making in these institutions is a function of the amounts of money that one pays.⁵⁷ There is also concern with the lack of influence and policy making by poor countries in these institutions: poor countries do not even influence the policies that are prescribed for them

⁵⁶ Akira, N., and Yasutami, S., *op cit*, at pg. 67

⁵⁷ Hanlon, J., *op cit*, pg. 19

to follow.⁵⁸ In this situation therefore it is arguable that the multilateral institutions are more amenable to pursue the agenda of the rich states than the agenda of the poorer countries.

Additional perspectives, which suggest subordination or influence by AGCs on ARCs, are given by Gillis as follows: that aid donors and other official sources of capital often try to use their assistance as a lever to obtain their own policy goals; they [donors] tie their aid funds to the purchase of goods and services in their own countries as a way of increasing their own markets for exports and of dampening the impact of aid on their own balance of payment; that donors... use aid to induce LDC governments to change their development policies in what donors believe to be the country's own best interests; that they [donors] make aid contingent upon changes in tax systems, adoption of new wage and income policies, adjustment in food and other agricultural prices, and many other policy actions; and that they [donors] channel their [aid] towards countries and institutions within countries that adhere most closely to the donor's own views on economics and politics⁵⁹.

These perspectives suggest that there is a connection between foreign aid, and especially the conditionalities tied to aid, and policy decision making in ARCs. This study went further to demonstrate this relationship and to describe it based on empirical evidence.

⁵⁸ South Centre, Financing Development: Key Issues for the South. 1999, at pg. 3

⁵⁹ Gillis M., *op cit*, at pg. 375

1.10 Methodology

This section deals with research site selection and justification, description of the site, sampling, methods of data collection and techniques of data analysis.

Site Selection and Justification

This study took place in the Republic of Kenya, a country in East Africa. Kenya was selected for the study for a number of reasons. First, the researcher is a resident of Kenya and therefore has a high level of understanding of the socio-economic dynamics and history of the country helpful in the conceptualisation of the study and administration of the tools of data collection.

Secondly, the country, being in the category of “developing countries”, has characteristics that make it suitable for the study. For instance, Kenya, like other ARCs in Africa and elsewhere, funds part of its budget deficit from external resources and has a huge debt problem, partly contributed to by foreign aid. In the East African context, Kenya was found to be ideal for the study because of its relatively fast growing economy and being a leader in current efforts to revive the East African Community.

Description of the Study Site

Kenya is situated in the region referred to as the Horn of Africa in international studies. It is a participant in the East African Community [EAC] and a member of the Inter-Governmental Authority on Development [IGAD]. It is also a member of the Common Market for Eastern and Southern Africa [COMESA].

Politically, Kenya practices a multiparty representational system of government with a number of political parties forming the basis for political representation. The country at the moment has more than 100 registered political parties though a majority of them are “briefcase” parties without parliamentary representation.

Kenya’s economy has faced many challenges including deterioration in the fiscal position and a growing domestic debt [GOK, Investment Programme, 2003-2007: 8]. Indeed, since the 1980s, the economy has performed below par, resulting in decline in productivity and insufficient employment opportunities. The poverty situation has continued to worsen, with the proportion of the population living in poverty rising from about 48.8 per cent in 1990 to 56 per cent in 2002.

The challenges cited above have meant that the Kenyan economy has had to partly rely on donor funding particularly for implementation of development projects. According to the Investment Plan of the Economic Recovery Strategy for Wealth and Employment Creation [ERS-WEC, 2003-2007], donor funding is a critical aspect of the current GOK development plan.

Sampling

The sampling for this study was done at two levels: the first level involved sampling of institutions involved in the disbursement and/or utilisation of donor funds, while the second level was the selection of the respondents and key informants to be interviewed

within both the funding organisations and the Government departments that utilise the funding. The Kenya Government is made up of 32 ministries. The 18 respondents surveyed therefore represented 56 per cent of the total number of ministries and which proportion was considered statistically feasible. Separate questionnaires and checklists were developed for the two groups.⁶⁰

According to the ERD, Kenya's leading donors during the period under review included the government of the United States of America, World Bank, UN specialised agencies, United Kingdom, European Union, Sweden, Germany, Japan, Denmark, France, African Development Bank, IMF, Italy and Canada. The total number of donor countries and multilateral institutions is 45⁶¹. 20 representatives of these organisations were sampled for the survey representing 44 per cent of the institutions.

Sample Population

The sample population was made up of the funding organisations and relevant Government departments. The information about sampling was drawn from the Structure of Government documents and a listing of donor institutions from the Directory of NGOs published by the NGO Coordination Board. In total 32 ministries and 45 donor institutions were considered. The total population was therefore 77.

⁶⁰ The questionnaires and checklists are annexed to this report

⁶¹ This is taken to be a fair estimate when one counts the UN Agencies individually

Sample Size

The study aims were achieved by administering questionnaires to 20 representatives of donor organisations and 18 representatives of GOK departments. In addition, 15 key informant interviews were carried out with representatives of the two categories of institutions. Out of the sample population of 77, a sample of 38 was drawn representing 49.4 per cent considered to be statistically feasible for the study.

Sampling Techniques

This study employed non-probability sampling methods, namely purposive/convenient sampling. Calls were made to the relevant ministries and those who could accord the researcher time were then interviewed as long as they were in charge of some aspect of administration of donor funds. The sampling of individual key informants was done from the relevant donor organisations and Government departments.

Methods of Data Collection

Data for this study was collected from both primary and secondary sources as described below:

Primary data

Survey

Questionnaires were administered to 38 respondents, 20 from donor organisations and 18 from GOK departments. The questionnaires were semi structured with both open ended

and closed ended questions. The questionnaires were administered directly by the researcher over a period of one and a half months. Through this method, therefore, the researcher was able to elicit both qualitative and quantitative data.

Key Informant Interviews

Further information was derived from the key informant interviews held with government officials in the relevant ministries and government departments including the ministry of finance, ministry of planning and national development, ministry of education and ministry of health.

Key informant interviews were also conducted with representatives of various embassies and foreign funding agencies especially those who fund government projects. A good example of such projects is the Governance, Justice, Law and Order Sector [GJLOS] reform programme, a sector wide programme being implemented by government.

Secondary data

Survey of Official Documents

An array of secondary sources was used for this study including records of donor funding receipts [documentation of actual receipts]; contracts signed between GOK and donor agencies, documentation of conditionalities attached to donor aid, press statements/releases connected to donor funding made by GOK officials and donor representatives and relevant records from the External Resources Department, Ministry

of Finance. A Case Study of conditionalities under the Economic and Public Sector Reform Credit [EPSRC] was conducted from available documentation.

Data Analysis Methods

This study applied appropriate qualitative and quantitative data analysis techniques. Quantitative data was organised and analysed using the Statistical Package for Social Science [SPSS]. Preparation of a coding sheet was followed by actual coding of data and data entry. Various analysis procedures were applied including running frequencies on all the major variables and cross tabulating various variables. Qualitative data was taken through the stages of data reduction, data organisation and interpretation. Triangulation was employed to harmonise the data collected from different sources and as a quality control measure.

1.11 Conceptual and Operational Definitions

Three important concepts – foreign aid, policy decision making and conditionalities – were defined as follows:

Foreign aid

Conceptual definition

Financial flows to developing countries provided by official agencies and multilateral institutions, which are concessional in character.

Operational definition

Foreign aid was measured in terms of actual documented receipt of funds by GOK during the period under investigation under concessional terms.

Domestic Policy Making

Conceptual definition

This refers to the determination of guidelines on social, economic and political spheres of life both in terms of process and outcome. This study considered donor conditionalities as a factor influencing policy decision making in Kenya.

Operational definition

Domestic policy making was taken to be a factor of processes of policy making and outcomes, or actual policies that result thereof. This was observed by looking at the factors influencing policy making [among which, according to the assumptions of this study, is donor conditionalities] and the actual resultant policies as recorded in relevant legislation and policy documents.

Conditionalities

Conceptual definition

These are requirements, political or otherwise, issued by different donors to be adhered to by those countries or institutions that receive aid from them. Sources of conditionalities

vary but generally include contracts signed between GOK and its donors, funding frameworks developed by different donors, press releases from GOK and donor agencies, among others.

Operational definition

These were observed as actual documented requirements issued by different donors to GOK as recorded in the different sources such as contracts, press releases, Memoranda of Understanding and other relevant sources.

1.12 Chapter Outline

This report has five chapters and is organised as follows:

- **Chapter One:**

Introduction

- **Chapter Two:**

Kenya Foreign Aid Receipts: Trends and Character 1995 – 2005

- **Chapter Three:**

Foreign Aid and Donor Conditionalities: The Kenyan Experience

- **Chapter Four:**

Donor Conditionalities and Policy Decision Making

- **Chapter Five:**

Summary, Conclusions and Recommendations

CHAPTER TWO

KENYA FOREIGN AID RECEIPTS: TRENDS AND CHARACTER, 1995 – 2005

2.1 Introduction

One of the objectives of this study was to document, describe and analyse the trend and character of foreign aid received by GOK between 1995 and 2005¹. This objective was achieved by studying receipts of foreign aid from different sources including secondary and primary sources. The primary sources included data extracted from documents at the Department of External Resources, Ministry of Finance as well as survey and key informant interviews. Secondary sources included organisations' websites [for instance, Organisation for Economic Cooperation and Development – OECD] and printed materials, including sources from United Nations Development Programme – UNDP].

The specific variables considered under this objective were the institutional/policy framework for management of foreign aid by Kenya²; trends of foreign aid receipt differentiated by amounts received for each year; character of foreign aid received by Kenya [measured/analysed through: the presence/absence of grant element; the presence/absence of conditionalities; the requirement for provision of technical expertise and whether or not aid was “tied”³] and determination of amounts of aid received by Kenya [measured through the actual factors that determined amounts received]. This chapter presents the findings under a number of headings. It commences by presenting

¹ The data presented in this chapter and subsequent chapters will be presented both in terms of calendar years [i.e. January-December] and GOK financial years [for instance 1995/96; 1997/98, etc]

² Discussed under “preliminary issues”, herein below

³ See definition of tied aid

preliminary issues relevant to the study: respondent characteristics and institutional management of aid by GOK within the ministry of finance.

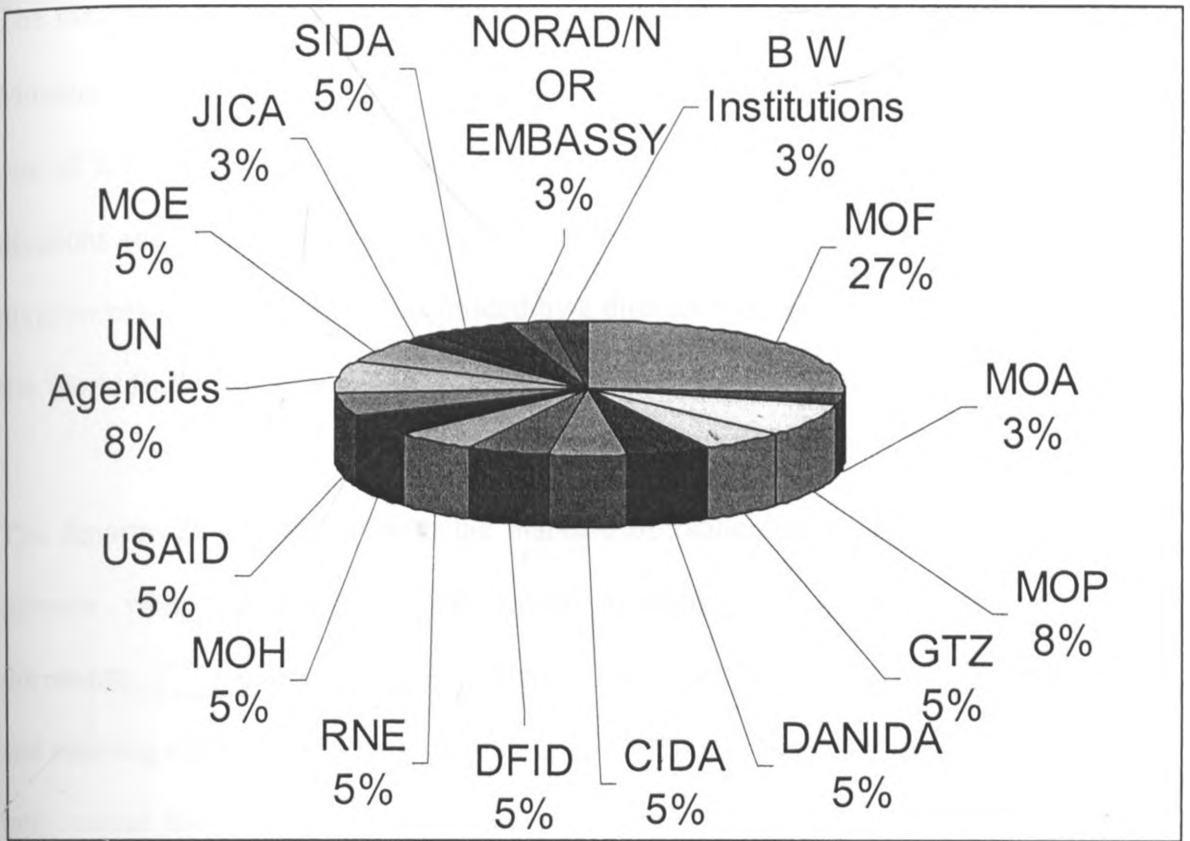
2.2 Preliminary Issues

2.2.1 Respondent Characteristics

This study targeted GOK officials and representatives of donor agencies in charge of administration of aid. A total of 38 respondents were surveyed for their opinions on different aspects of aid with the survey questionnaire being administered by the researcher. 38 respondents represented 95 per cent of the 40 respondents initially targeted for the survey out of a sample population of 77 [32 ministries and 45 donor institutions]. Of the 38 interviewed, 18 were GOK officials while the remaining 20 were representatives of different aid agencies.

Among those interviewed from GOK were officials at the External Resources Department [ERD], Ministry of Finance, the main GOK institution in charge of aid administration, as well as the Ministries of Planning, Health and Agriculture. The figure below illustrates the distribution of the sample among GOK ministries and donor agencies.

Figure 2.1: Distribution of respondents among different institutions



Source: Author Survey, 2007

Alongside the survey respondents, 15 key informants were interviewed. Among these 10 were representatives of donor organisations while 5 were GOK officials. The information derived from these interviews was used for purposes of triangulation and to clarify some of the quantitative information derived from the survey.

2.2.2 *Management of Foreign Aid by GOK: Institutional and Policy Arrangements*

The mandate of managing aid within the Kenya Government machinery rests with the Ministry of Finance [MOF] and particularly the External Resources Department [EDR], one of the 11 departments in the Ministry. The ERD is made up of 14 functional divisions and units. Each division is headed by a division head assisted by an assistant division head. The department is headed by a director whose deputy is also in charge of the World Bank desk office.

The department was set up with the mandate of “soliciting funds from development partners while focusing on development priorities stipulated in current policy documents...”⁴ specifically, the department is responsible for identification, negotiation and securing of external funding on behalf of GOK; it also integrates donor commitments into Annual Estimates. It is the projections in the estimates that guide the sourcing of external resources from different donors.

The responsibilities of the department means it works closely with the department dealing with the budget process. Donor commitments are usually aligned with the overall budget and these are recorded in the annual estimates published together with the budget. The annual estimates carry donor commitments both in terms of grants and loans. Through the Disbursement Unit, the department also makes disbursements to different line ministries that make use of the resources secured from different donors.

⁴ Ministry of Finance website [<http://www.treasury.go.ke/departments.php?deptID=2>]

Because it is the department in charge of the sourcing of funds from donors, it is also responsible for negotiating the conditionalities that come with aid. The department negotiates terms for aid and loans; however, as per legal requirements, the Attorney General's⁵ office is required to give approval to all the contracts that GOK signs with donors. The study however found out that there are usually tensions in this arrangement. Because the end users of foreign resources, that is, line ministries are not involved in negotiating conditionalities, it is ERD which eventually carries the weight of blame for failure to adhere to the conditionalities.

Other important institutions that deal with aid in GOK include the Debt Management Department [DMD] whose duties include the recording of external debt and determining of the concessionality⁶ of external loan proposals through computation of the grant element on loans. Public debt management is an important aspect of management of both internal and external resources since the issue of debt is a critical part of the foreign aid and development debate.

On the legal and policy side, foreign aid generally falls within the External Loans and Credits Act [Cap 422]. This Act vests discretionary powers to negotiate foreign aid on behalf of the country on the Minister for Finance. It defines the borrowing powers of the Minister, the purposes for which borrowed resources should be used, and repayment of moneys borrowed including interests and other charges, among others. The Minister is

⁵ As the Government Legal Advisor, the AG is responsible for reviewing draft loan agreements to ensure conformity with relevant legislation

⁶ Concessionality is primarily determined by three factors – these are: the grant element, the interest [on loans] and the maturity period of the loan

required to report to Parliament on details of new borrowings. In his reports, the Minister is required to specify the parties, the circumstances giving rise to the transaction, as well as the amounts and currency involved. In 2000, Parliament set the ceiling for external debt at Kshs.500 billion.

Foreign aid resources generally go to priority sectors identified by GOK and donors. However, some donors have their own priority sectors into which they put aid money. The governments of Japan and Denmark, for instance, have identified the following sectors in which they have provided assistance over a period of many years.

Table 2.1: Sectoral priorities of various governments

Government	Priority sectors
Japan ⁷	Agriculture
	Economic infrastructure
	Environment
	Human resource development
	Health
Denmark ⁸	Health
	Agriculture
	Water
	Environment
	Business/Private sector
	Governance

Source: Author Survey, 2007

Usually, projects are identified in the different sectors and negotiations for aid are then conducted on the basis of those identified areas. The various identified projects and the

⁷ Japanese aid is managed by the Japanese International Cooperation Agency [JICA]

⁸ Danish aid is managed by the Danish International Development Agency [DANIDA]

amounts earmarked for them are all detailed in the annual estimates. In identification of projects, the ERD works closely with the Ministry of Planning to ensure proper identification of projects and alignment with overall development plans.

It is expected that the ongoing Harmonisation, Alignment and Coordination [HAC] initiative will impact on the institutional management of aid by GOK and, more importantly, the development of the Kenya External Aid Policy [KEAP]. The HAC is a donor initiative with its roots in the Paris and Rome declarations on aid effectiveness. In Kenya, the HAC agenda commenced after the Consultative Group meeting in November 2003. Donors, during that occasion, committed themselves to align their assistance to GOK's development blueprint, the Economic Recovery Strategy for Employment and Wealth Creation. This is the economic blueprint developed by the NARC regime when it took power in 2003.

The development of KEAP, also agreed between GOK and donors during the November 2003 Consultative Group meeting, is expected to provide a comprehensive framework for management of aid resources. The policy will provide for three immediate priorities: 1] articulate the role of Government in administering aid and promote country ownership; 2] provide a framework for reducing transaction costs and, 3] deal with the problem of funds absorption while at the same time strengthening accountability of aid resources and enhancing GOK's negotiating strength with donors. Apart from these local priorities KEAP is also a reflection of global trends in development cooperation.

2.3 Aid Receipt Trends

In achieving the objectives of this study it was important to study and explain the trends of foreign aid receipt by the Kenya Government. Statistics on foreign aid were reconstructed from different GOK reports including the estimates printed every year, which record both loans and grants from multilateral and bilateral sources. The data from GOK sources was compared with various published sources including those available from the Organisation for Economic Cooperation and Development [OECD] and the United Nations Development Programme [UNDP].

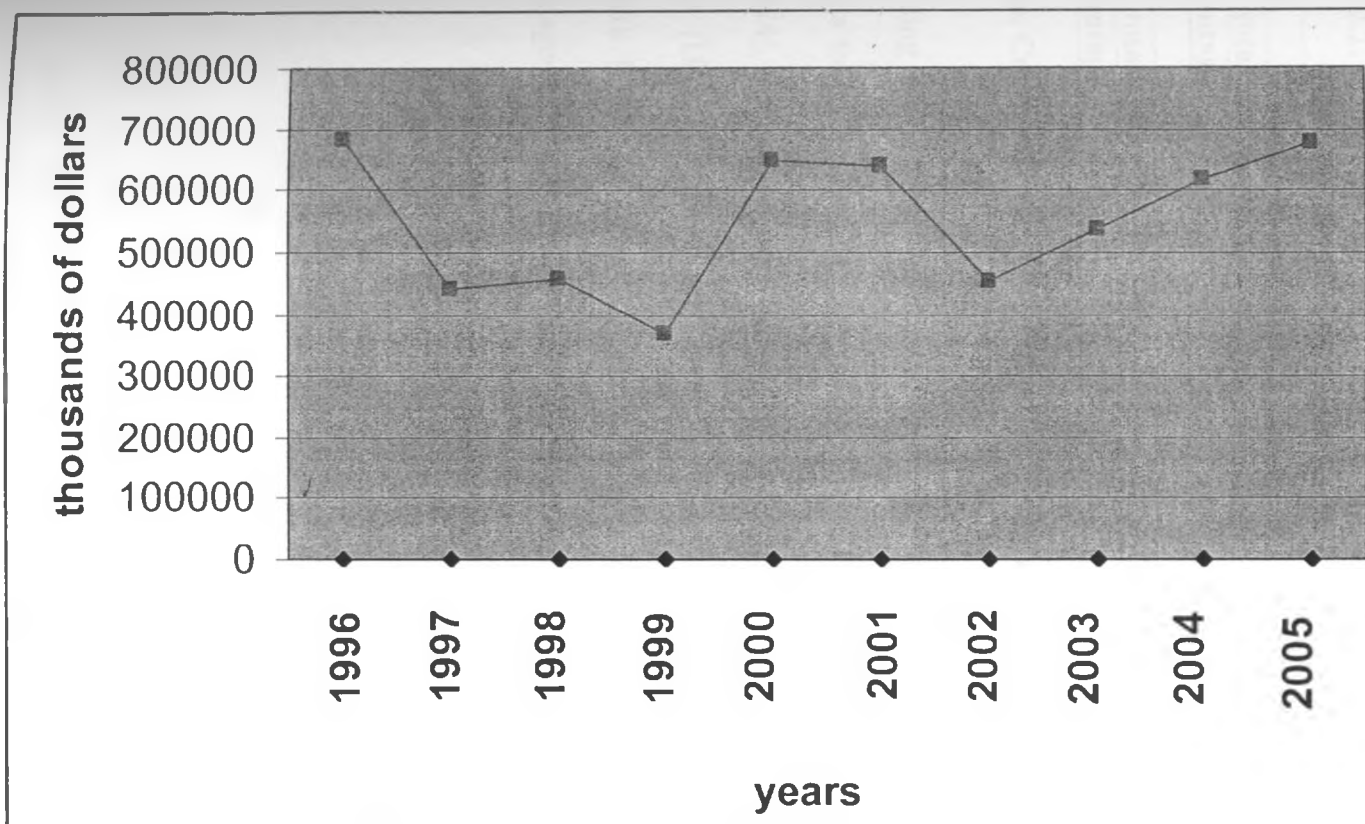
Overall, statistics on foreign aid during the period under review present a mixed picture characterised by fluctuations, periods of consistent increase and periods of consistent decline. Generally, the highest figure recorded during the review period was 1995 when the country received a total of US\$838,213,000 while the lowest was in 1999 when a total of US\$369,177,000 was recorded. Looking back over the last one and a half decades the highest record in terms of receipt was set in 1990 when more than US\$1,400,000 was recorded.

From 1995 to 1999, the amounts received went down consistently mainly as a reflection of the political uncertainties of the time and the poor relationship between donors and GOK during the period. The years 2000 and 2001 recorded improved funds' receipt; however, this dipped sharply in 2002. The graph then rose consistently from 2002 to 2005.

Even though relations between donors and GOK suffered a lot during the period leading to the 2002 general elections, the effect of this on aid was not clear cut. Thus, whereas the consistent decline between 1995 and 1999 is thought to be as a result of those relations, the increase recorded during 2000 – 2001 cannot be explained merely as a function of those relations. This shows that the amounts of aid received in any particular year is a function of a mix of factors as explained later in this chapter.

The increase from 2003 is explained by the cultivation of better relationships between the donors and GOK after the change of regime in 2002 which replaced the KANU regime with the NARC regime. Since that time there has been a sense that the country has recorded improved management of resources including collection of taxes. It is no secret that relationships between GOK and donor governments and the political imperatives at any particular time determine the amount of aid received. Though there were tensions between the NARC regime and the donors especially after revelations of the Anglo-Leasing and Company Ltd., corruption scandal, this did not have an effect on the amount of aid during the period 2004-2005. The figure below shows the yearly receipts between 1996 and 2005.

Figure 2.2: Aid receipt between 1995 and 2005



Source: Compiled from UNDP Development Cooperation Report, 2005

The figure indicates the many fluctuations recorded during the period under review. It also shows that amounts of aid received have been rising consistently from 2002 to 2005. The Table below shows the yearly receipts as a percentage of the total between 1996 and 2005.

Table 2.2: Yearly receipts as a percentage of the total, 1996-2005⁹

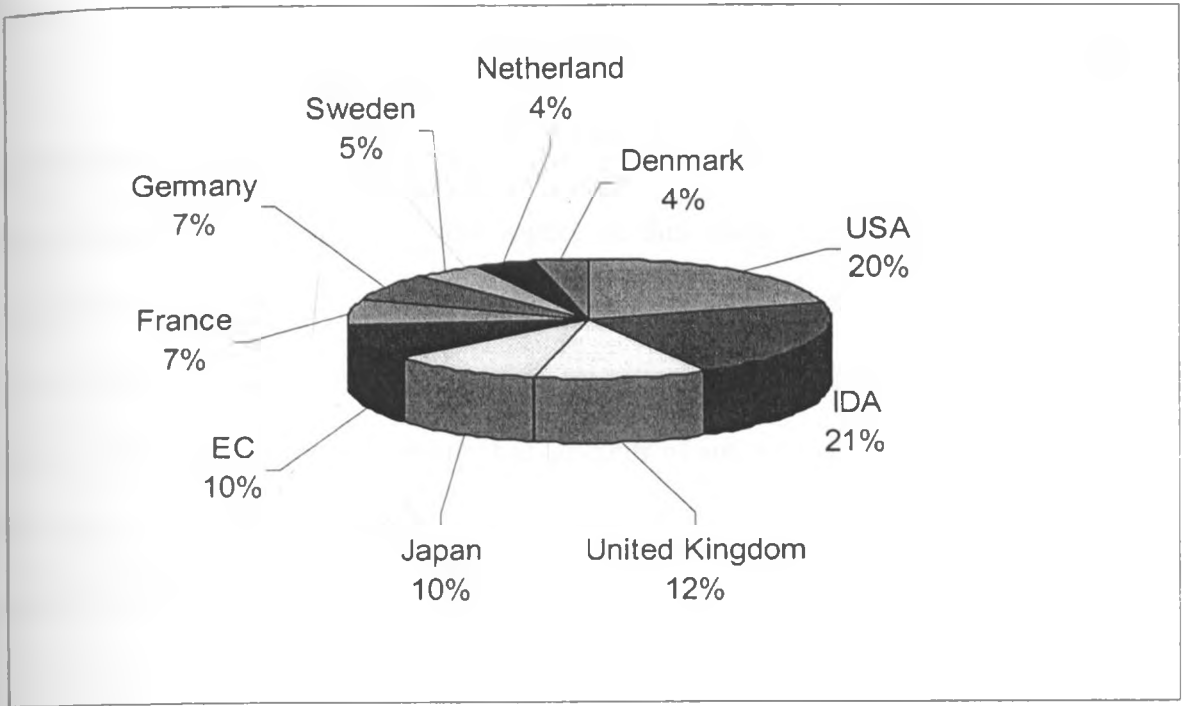
Year	1996	1997	1998	1999	2000
Year total	679,643	438,591	458,307	369,177	648,263
Percentage	12.3	8.0	8.3	6.7	11.8
Year	2001	2002	2003	2004	2005
Year total	637,971	454,330	536,016	615,912	677,353
Percentage	11.6	8.2	9.7	11.1	12.3

Source: Compiled from UNDP Development Cooperation Report, 2005

According to the Organisation for Economic Cooperation and Development [OECD] Kenya's ten main donors during the period 2002 to 2004 were the USA [US\$127], IDA [US\$124], United Kingdom [US\$70], Japan [US\$61], European Commission [US\$59], France [US\$52], Germany [US\$41], Sweden [US\$28], Netherlands [US\$25], and Denmark [US\$22]. The following Figure presents the proportions of this aid in percentages:

⁹ Note that the data here is presented yearly while data from government sources is mainly presented following the government's financial years

Figure 2.3: Foreign aid disbursement by ten main donors 2002 – 2004



Source: Compiled from OECD Foreign Aid Report, 2005

The biggest donor according to this source during this period was the USA followed by the IDA; in third place was taken by the United Kingdom. The three donors contributed slightly more than 50 per cent of the total aid recorded during the period. The list of top donors to Kenya remained consistent during this period including 2005.

In 2005, the main donors included USA, which took the lead, providing US\$105 million, China was second with US\$56 million; while the UK was third, providing US\$55 million. Others were Sweden – US\$38 million; Japan – US\$34 million; Germany – US\$33 million; Korea – US\$25 million; and Denmark – US\$22. Available evidence shows that Kenya received both loans and grants during the period under review. Loans

are provided by multilateral institutions while grants are mainly provided by bilateral donors.

2.4 Determination of aid Receipt

Aid determination was an important aspect of this study, hence the question: what determined the amount of aid received by Kenya from different donors during the period under review? In response to this question, priorities set by GOK under its development plans came as the favourite determinant of amounts of aid, followed by strategic interests and sector priorities of the aid giving country and the relationship between the donor country and the aid receiving country. The table below presents these findings.

Table 2.3: Determinant of amount of aid received by Kenya

<i>Category label</i>	<i>Count</i>	<i>Percent of responses</i>
Kenya's development plans, priorities and funding requirements/agreed areas of collaboration	32	49.2
Strategic interests and sector priorities of aid giving countries	10	15.4
Relationship between the government and donors	7	10.8
Governance record/levels of confidence in government systems	4	6.2
Ability to adhere to funding agreements and realise set goals	3	4.6
Level of adherence to conditionalities	3	4.6
Domestic politics in Kenya and aid giving country	2	3.1
Availability of funds/number of organisations willing to provide aid	2	3.1
Separate negotiations between donors and politicians	1	1.5
Utilisation/Impact of previous aid disbursements	1	1.5
Total	65	100

Source: Author Survey, 2007

According to the table, the four principle determinants of aid were Kenya's development plans, priorities and funding requirements/agreed areas of collaboration, strategic interests and sector priorities of aid giving countries, relationship between the government and donors, and governance record/levels of confidence in government systems. Kenya's development plans, priorities and funding requirements/agreed areas of collaboration took a lion's share of the responses standing at 32 and scoring a total of 49.2 percent. Together the four principle factors scored a total of 81.6 per cent of the responses.

A casual reading of this would mean the government has a lot of leverage when it comes to determining what is funded by donor resources. However, on close analysis the sectoral priorities are themselves set in agreement with donors who in any case already have their own priority sectors as already discussed. Also some of the development plans are themselves as a result of GOK discussions with donors and/or adherence to set aid conditionalities as will be discussed in subsequent chapters. Amount of aid received might also depend solely on unilateral decisions made by the donor governments. One key informant said in relation to this element:

“Sometimes funding levels reduce because of decisions taken by donor governments. For instance, the Germany Parliament might decide to reduce the volume of development assistance and this then affects the recipient countries.

For instance, the commitments for the coming financial years up to 2010 have already been reduced.”¹⁰

Unilateral decision making by donors affects not only the volume of aid received but also the continuity of projects undertaken using aid money. A good example in this case is the funding for the Civil Service Reform Programme [CSRP] whose funding was discontinued. A briefing document from the ERD noted as follows:

“DFID has decided to discontinue support to the Civil Service Reform Programme [CSRP] in its Country Assistance Plan in favour of support for enhancing revenue collection. This is a big blow particularly because DFID was instrumental in financing the last two phases of the CSRP. ... Whereas support to the Kenya Revenue Authority is important, the Hon Minister may wish to appeal to DFID to reconsider its position on support to the CSRP especially in view of the need to mobilise adequate resources to finance the forthcoming Targeted Voluntary Retirement Scheme [TVERS].¹¹

The question of relationship between governments is also important in as far as funding levels is concerned. In this connection, available evidence shows that UK aid to Kenya has been reducing partly because of the relationship between the two countries. A GOK document notes as follows: “GOK bilateral relations with the UK Government have been

¹⁰ Author Interview, KII 4 DN, 8/8/07

¹¹ Brief on DFID's Kenya Country Assistance Plan [CAP] 2004-2007, External Resources Department [ERD], 3RD May 2004 [Document available at the Ministry of Planning Documentation Centre, Treasury building]

on low ebb since the NARC Government came to power. Assistance from the UK Government is currently relatively small in comparison to the pre-NARC Government era. UK has been vocal about alleged grand corruption by senior government officials and that is the basis for the reduced assistance.”¹²

Further, the primacy of two factors: “the strategic interests and sector priorities of donors” and “the relationship between donors and Kenya” further casts doubt on the importance of government plans and priorities as the key determinant of amounts of foreign aid. One donor representative argued that since Kenya can survive without aid the funding of Kenya is more out of strategic consideration than merely the disbursement of development assistance based on need.¹³ Even though this view contradicts the fact that Kenya’s development budget is, at 60 per cent, heavily reliant on donor funding, it still belies the importance of donor interests in funding relationships.

Amounts of aid receipt can also be a function of non disbursement of funds by donors as was established during the review. Since such funds are already committed to projects and factored into the annual estimates, they are often captured when GOK accounts are audited by the Kenya National Audit Office [KENAO]. Audit queries are then raised against them. The table below presents a number of cases where committed amounts were not received by GOK as captured by the Audit Office.

¹² ERD Internal Memorandum to Director, 8th February 2005 [Document available at the Ministry of Planning Documentation Centre, Treasury building]

¹³ Author Interview, KII 4 DN, 8/8/07

Table 2.4: Illustration of non disbursement of funds by donors

<i>Case</i>	<i>Amount</i>
HIV/AIDS education and support to orphans	2,566,893.70
Contracted Professional Services	3,965,037.95
Project Administration – ECD	16,334,826.35
Technical Assistance and Training – ECD	14,347,882.80
Grants to Kenya Institute of Education – KIE	24,750,000.00
Total	61,964,640.80

Source: Report of Controller and Auditor General, FY2003-2004¹⁴

The above cases are a further illustration of the factors that may determine the amounts of foreign aid received by GOK. Among other situations, non-disbursement of aid may occur due to non-absorption of already disbursed aid, delays in implementation of projects or simply bureaucratic bottlenecks on the part of the funding agency. The subsection below looks at the characteristics of aid received during the review period by GOK.

2.5 Characteristics of Aid Received

Those interviewed in this study presented varying views on the character of aid received during the period of review. The four variables considered in this respect were whether or not aid was tied, whether or not it had a grant element, whether there was provision of technical expertise and whether there were conditionalities in place. On the question of whether or not aid was tied, the results were as follows:

¹⁴ The amounts are captured as “under spent” by reason of non disbursement. The projects here are under only vote of the Ministry of Education – note that not all the cases under the vote were taken. The reasons for non disbursement are not captured here. However, the information is sufficient for purposes of this analysis

Table 2.5: Whether aid tied during 1996-2005?

<i>Whether aid was tied?</i>	<i>Frequency</i>	<i>Percent</i>
Yes	19	50
No	19	50
Total	38	100

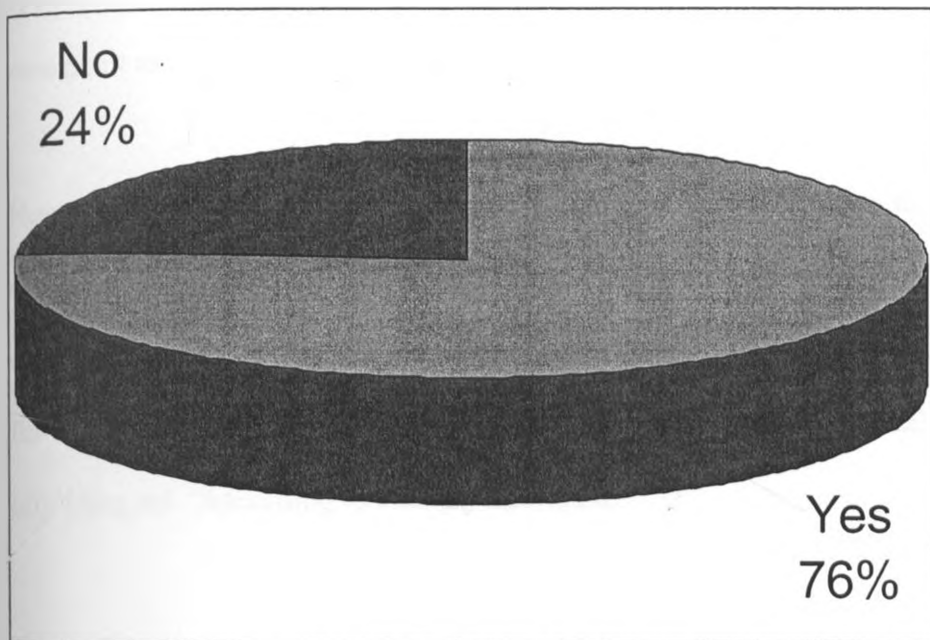
Source: Author Survey, 2007

The table shows that opinion was divided on the issue of whether or not aid was tied during the period under review. This can be explained by the fact that a majority of those interviewed from the donor side were representatives of diverse institutions some of which tie aid while some do not. According to the key informant interviewees, aid was tied to projects [as opposed to budget support, for example], to provision of technical expertise and to purchase of goods and services from the country providing aid. Though there have been discussions about untying aid for a number of years, the situation remains as it has always been.

A cross tabulation of this variable [tied aid] with “nature of respondents” [i.e. whether GOK officials or donor representatives], reveal important differences of opinion between the two categories of respondents. Of the 20 donor representatives, 8 were of the opinion that aid was tied while the remaining 12 said that aid was not tied. This situation is reversed in the case of GOK officials: 11 GOK officials said aid was tied while 7 said it was not tied.

There was also a sharp difference in opinion on the question of whether or not conditionalities accompanied aid during the period under review. The Figure 2.4 below shows the results.

Figure 2.4: Whether conditionalities were tied to aid between 1995 and 2005?



Source: Author Survey, 2007

As the table demonstrates, many of the respondents agreed that conditionalities were a major feature of aid during the period under review. A whopping 74.1 per cent of the respondents said aid came with conditionalities while only 23.1 percent said there were no conditionalities. There were no sharp differences based on the nature of respondent as demonstrated through cross tabulation of the relevant variables.

On the other hand, there was complete unanimity on the issue of aid and grant element. All the respondents said all aid had a grant element. This could be explained by the fact that GOK policy requires that all aid have a grant element of at least 35 per cent, which is one important aspect of concessionality of aid. It can also be explained by the fact that a majority of the donor representatives interviewed were from bilateral institutions as opposed to multilateral institutions. Aid from bilateral institutions is oftentimes 100 per cent grant as opposed to multilateral institutions.

However, discussion around the issue of grants provided by especially bilateral donors evoked negative feelings among some of the GOK officials. Most of those interviewed seemed to agree with the view that the grant element of bilateral aid is usually reserved for consultancies and other services that are provided by the nationals of the countries providing aid. According to one key informant:

“... many times, grants are earmarked for activities like feasibility studies. In this case, the consultancy for such services will go to nationals of the country sponsoring the project. However, the extent to which this happens depends on the individual donors. The grants, therefore, disappear into consultancy work.”¹⁵

It emerged from the study that aid from bilateral agencies is more bound to be tied compared to aid from the multilateral agencies. As observed, most multilateral aid institutions provide loans albeit on concessional terms which include a grant element¹⁶,

¹⁵ Author Interview, KII 3 GOK, 2/8/07

¹⁶ The Kenya Government Policy is 35 percent grant element

long maturity period and low interest rates. The maturity periods can be as long as 40 years. Because they provide loans which eventually are repaid, the multilaterals are not as insistent on tying aid as the bilaterals who reason that anyhow “they are giving money for free” or “this is free money” as one key informant put it.¹⁷

The multilaterals on the other hand are more insistent on conditionalities. Another key informant captured this situation dramatically as follows:

“bilateral aid is usually 100 per cent grant but is the one that is mostly tied aid unlike aid from multilateral institutions that is not often tied. Mainly the donors will want the resources they provide to be used in purchasing goods from their own firms”¹⁸.

Purchase of goods and services from the country of origin of the aid providing agency comes up as the most significant element of tying of aid. Even though under the Paris Declaration, bilateral aid is supposed to be untied, the evidence suggests that many donors still tied their aid to provision of goods and services from their own countries. This aspect continues to cultivate the perception among aid recipients that “aid is, essentially, “business”.”¹⁹

On the issue of whether or not there was requirement of provision of technical expertise, the greater majority of the respondents, 73.3 per cent answered in the affirmative while

¹⁷ Author Interview, KII 1 DN, 3/7/07

¹⁸ Author Interview, KII 1 GOK, 10/7/07

¹⁹ Author Interview, KII 2 GOK, 1/8/07

only a paltry 26.7 per cent answered in the negative. The table below presents these findings.

Table 2.6: Whether there was requirement for provision of technical expertise?

<i>Whether provision of TE?</i>	<i>Frequency</i>	<i>Percent</i>
Yes	28	73.3
No	10	26.7
Total	38	100

Source: Author Survey, 2007

This finding should not be surprising since many donors' aid policies encourage the provision of technical expertise. According to one source, "technical assistance is usually a condition tied to funding – certain amounts of money must always go to technical assistance. This is done in many forms e.g. policy advisors posted in ministries"²⁰.

There were stark differences in how donor representatives and GOK officials view technical expertise. Many of the donor representatives tended to view technical expertise as a necessary condition to "good management of aid" while their GOK counterparts saw in technical expertise the expression of self interest by the donor organisations and the aid providing governments. According to one donor representative put the issue:

"... through technical cooperation, the government is assisted to put in place favourable conditions including the necessary infrastructure and to meet certain

²⁰ Author Interview, KII 3 DN, 4/7/07

good governance conditions. Technical assistance helps government in building capacity so as to be able to implement projects”²¹.

On the other hand, GOK officials interviewed expressed the view that the use of technical experts by donors is often “supply” driven. This means the experts, in the eyes of GOK officials, are not required and are usually supplied simply to serve certain interests of the donors. Also, even though there are clear policies regarding how experts should be handled, very many times there is pressure from donor governments to abandon these policies. One critic put it thus: “though Treasury is supposed to clear the experts to handle these projects they are often imposed and Treasury may not have a say over the matter. This happens mainly with bilateral donors”²².

2.6 Conclusion

This chapter has presented analysis of the character and trends of aid received by GOK during the period under review. It started by discussing the policy and institutional arrangements for management of aid by GOK. It then presented findings on the key variables including the amounts of aid received during each year for the period under review.

The study established that aid was largely tied during the period under review. One of the key aspects of tying was the purchase of goods and services from the donor providing aid. This applied mostly to bilateral donors. Other characteristics of aid were: that it was

²¹ Author Interview, KII 4 DN, 8/8/07

²² Author Interview, KII 3 GOK, 2/8/07

required provision of technical expertise; that most loans had grant elements of varying amounts; that various conditionalities accompanied aid particularly that from the multilateral institutions.

The main factors that determine the volumes of aid received were documented and discussed with some of the key factors being the country's development plans and priorities, the strategic interests and sector priority of the donor country and the relationship between the donor country and the ARC. The next chapter reviews critically the conditionalities tied to aid during the period under review.

CHAPTER THREE

FOREIGN AID AND DONOR CONDITIONALITIES: THE KENYAN EXPERIENCE

3.1 Introduction

The second specific objective of this study was to establish, document and analyse the conditionalities tied to donor aid during the period under review. This was achieved through critical review of official documents, a Case Study of conditionalities under the Economic and Public Sector Reform Credit [EPSRC] and the privatisation of TELKOM and the Kenya Commercial Bank [KCB] as well as interviews with key informants and survey respondents. The survey gave crucial opinions of those interviewed.

Key variables studied to achieve this objective were: conditionalities put in place by the different donors [based mainly on the Case Study and key informant interviews]; the rationale behind the different conditionalities; the extent to which conditionalities were negotiated and agreed between GOK and donors; the attitudes of GOK officials on aid conditionalities; the level of adherence to conditionalities as well as the consequences of non-adherence to conditionalities.

From the findings of this study, conditionalities were in deed a key feature of aid with the multilateral agencies being regarded as putting up some of the most “intrusive” conditions to aid. The study established that there were various types of conditionalities such as effectiveness conditionalities which are part of the technical requirements needed

for aid funded projects to be successfully implemented; and policy conditionalities which are seen to impact on policy making.

Discussions about conditionalities are not a comfortable zone for many aid workers. The “conditionality” vocabulary seems tailored to evade calling conditionalities by their actual name. This is so, especially during this period of the Harmonisation, Alignment and Coordination [HAC] agenda when untying aid and doing away with aid conditionalities have become areas of emphasis in aid relationships. Many of the donor representatives preferred to call conditionalities guidelines or principles. However, for the GOK representatives, they all amount to conditionalities whichever vocabulary is employed.

This section presents the findings in regard to Kenya’s experience with donor conditionalities during the period under review. It begins by presenting and analysing EPSRC case before proceeding to present the perspectives and opinions from the survey of GOK officials and donor representatives.

3.2 Conditionalities during 1995 – 2005: A Case Study of EPSRC conditionalities

This study established that conditionalities were often tied to specific funding mechanisms and programmes, and sometimes to specific tranches of funding. In situations where conditionalities were tied to different funding tranches, the country would be required to adhere to certain conditions before disbursement of those specific

tranches of funding. Disbursements were therefore phased accordingly. For instance, to access the second tranche of the EPSRC from the World Bank, Kenya was expected to achieve 10 conditions tied to that specific programme credit.

The EPSRC conditionalities touched on five areas of policy: Anti-Corruption, Transparency and Accountability; Restructuring of Government and Civil Service Reform; Public Enterprise Reform and Privatisation; Expenditure Prioritisation; Private Sector Development and Portfolio Improvement. A number of conditions including reporting schedules were attached to these broad policy areas. These conditions are detailed in table 3.1 below [pg. 67-70].

Several issues arise upon analysis of the conditionalities as presented in the table. Some of the key issues are analysed herein below based on three essential questions: were the conditions meant to realise certain policy outcomes? Did conditions undermine decision making role of Kenya's state apparatus? Did the conditions undermine the country's sovereignty?

3.2.1 Conditionalities under EPSRC were "policy conditions" as opposed to effectiveness conditions

All the conditions under the EPSRC were clearly meant to arrive at and implement certain important policy decisions. These conditionalities are therefore different from effectiveness conditionalities that are meant merely to facilitate the implementation of

programmes. The first policy measure under these conditionalities was the merger of the Office of the Auditor General (Corporations) with the office of the Controller and Auditor General (C&AG) with the rationale of making this office autonomous.

Though it may not be clear from available documentation whether this reform measure was originated through the conditionality or whether, in deed, the conditionality was simply a means of reinforcing a GOK decision that had already been undertaken, there is a clear indication that this is a case of conditionality that led to a policy by GOK through the creation of the Kenya National Audit Office [KENAO]. Some of the key informants interviewed had claimed that most conditionalities derive from government's own plans.¹ It was difficult in this case to ascertain the initiator of this reform measure. However, the aim of this review was simply to establish the existence of the link from conditionality to policy outcome.

¹ For instance, Author Interview, KII 1 DN, 3/7/07

Table 3.1: EPRSC Second Tranche Release Matrix

EXPECTED ACTION	ACTUAL ACTION/TIMING
<p>A. Anti-Corruption, Transparency and Accountability</p> <p>I. The borrower has taken measures, including, if necessary, the presentation of legislation to Parliament to merge the office of the Auditor General [Corporations] with the office of the Controller and Auditor General. The plan will include making the office of the C&AG autonomous.</p>	<p>I. Not yet met. A proposal to merge the office of the C&AG with that of the Auditor General [Corporations] has been prepared and presented to the Attorney General for drafting into a bill. To make the office of the C&AG autonomous a draft of the Kenya National Audit Office Act, with provisions to de-link the office of the C&AG from the main Civil Service, has been submitted to the DPM, Treasury and the Head of Public Service.</p> <p>Pending: Attorney General to prepare and present to Parliament a bill to merge C&AG with Auditor General [Corporations]. Note: The bill was not presented to Parliament as part of the Miscellaneous Amendment bill as had been planned. The next session of Parliament, other than an emergency session, is in March 2001.</p>
<p>II. The Government will have submitted to the Association a progress report satisfactory to the Association on the implementation of the Government's plan to (a) enhance fiduciary transparency involving public resources, and (b) improve the quality and timeliness of audit reports.</p>	<p>II. In progress. To facilitate the production of quarterly reports by the C&AG, the Government has taken steps to (i) move ledger production from the Computer Services' mainframe computer to the Accountant General's Department; and (ii) introduce PCs to line ministries and district offices to facilitate quick and reliable capture of data. The C&AG has submitted the 1997/98 Audit Report to Parliament.</p>

<p>III. Cabinet will have approved a new comprehensive bill, which will establish: (i) A uniform and transparent procurement system for all public procurement (including public enterprises); (ii) A Procurement Appeals Board; and A Directorate of Public Procurement [DPP]</p>	<p>IIIa. Substantially met. Cabinet approved new procurement regulations in June 2000. In drafting the new regulations into a bill, the Attorney General found that some areas of the draft procurement regulations are in conflict with the existing laws that govern the procurement process for certain government institutions [local authorities, cooperative societies, state corporations, Central Bank of Kenya, public universities and schools established under the Education Act]. Amendments required to implement the new procurement regulations were made as part of the Finance bill that was passed by Parliament in November, 2000.</p> <p>Pending. The Finance bill containing amendments to issue new procurement regulations to be signed by President. AG to gazette new procurement regulations, following by implementation, covering Appeals Board and DPP.</p> <p>IIIb. Cabinet authorised the drafting of a public procurement bill in June 2000 and the Ministry of Finance and Planning has drafted a new procurement bill.</p> <p>Pending. AG to review the draft procurement bill prepared by the Ministry of Finance and Planning. The Minister for Finance to prepare a Cabinet memo with final draft procurement bill; Cabinet approval of draft procurement bill for presentation to Parliament.</p>
<p>IV. The Judicial Service Commission has approved the Judicial Code of Conduct, which will regulate the conduct of and propose disciplinary measures on all judicial officers</p>	<p>Not yet met. The draft of the Judicial Code of Conduct (JCC) has been presented to the AG. AG presented it to the Cabinet which recommended revisions, including asset declaration by judicial officers, in conformity with the “Public Service [Code of Conduct and Ethics] Bill”. Parliament rejected the Code of Conduct and Ethics bill on the grounds that it compromised the separation of powers, and it moved for separate Ethics bill for each of the Public Service, the Judiciary and Parliament. The Chief Justice is redrafting the JCC for JSC review. The draft will be sent to the Cabinet, but its enforcement will be left to the JSC.</p> <p>Remarks: The Public Service [Code of Conduct and Ethics] Bill” revised in line with the Parliamentary motion cannot be sent back to Parliament before May 2000. The JCC is expected to be ready for implementation latest March, 2000.</p>
<p>B. Restructuring of Government and Civil Service Reform</p> <p>The Government will have submitted a report, satisfactory to the Association, showing progress in implementing its civil service restructuring plan, including showing progress in reduction of</p>	<p>Partially met. As of November 20 2000 a total of 23376 staff has been retrenched and deleted from the Civil Service payroll with effect from November 21 2000. These include 1,186 employees removed from payroll after being transferred to an autonomous parastatal (NSSF).</p>

<p>staff corresponding to the reduction in the core functions of the government and including removal of duplication of functions.</p>	<p>Pending. Some 2407 are to be issued retrenchment letters. Ministers have yet to identify the additional staff for retrenchment.</p>
<p>C. Public Enterprise Reform and Privatisation</p> <p>The Attorney General will have issued a legal opinion that proposed privatisation strategy for the public utilities sector are consistent with the current law and that no further legislative action is required to implement the privatisation policy reforms for these entities.</p>	<p>Done. The AG issued his legal opinion on June 13th. The AG indicated that the GOK privatisation strategy submitted to the Bank was consistent with current law and that no specific privatisation law is required to give legal effect to the proposed strategies.</p>
<p>D. Expenditure Prioritisation</p> <p>I. The Government will have submitted to the Association reports satisfactory to the Association on the financing and expenditure on core poverty programmes. Such reports shall demonstrate the release of funds to the said programmes (to the districts) and that funds released are in accordance with the 2000/2001 budget. For the purposes of this paragraph, the term “core poverty programmes” shall be the programmes that are particularly important to the poor and the disadvantaged members of the society.</p> <p>II. The Government will have presented reports showing quarterly public expenditures [based on FY2000/01 budget).</p> <p>III. The Government will have presented a quarterly report showing that the National Aids Control Council [NACC] has been funded and is operational.</p>	<p>Partially met. GOK has submitted a draft Core Poverty Expenditure Table, which was discussed with the field Bank staff and comments/suggestions given to GOK.</p> <p>Pending. GOK has not yet provided the report.</p> <p>Partially met. The Treasury has received financial data from line ministers and is preparing a report on the FY2000/01 first quarter expenditure performance for all government activities.</p> <p>Pending. GOK has not yet provided the report.</p> <p>Done. GOK submitted a copy of NACC expenditure report to the Bank. Bank staff is to peruse the report and give feedback to GOK.</p>

<p>E. Private Sector Development</p> <p>The Borrower has taken all measures necessary, including the enactment of new legislation or amendment of existing legislation, (a) to liberalise small farmer tea processing activities, (b) abolishing the Kenya Tea Development Authority (KTDA) and (c) to implement policy measures to allow individual tea factories to operate independently.</p>	<p>Done. KTDA was transformed into an agency through a legal notice in June, 2000 effective from July 1st 2000. The new institution, the Kenya Tea Development Agency Ltd., was incorporated under the Companies Act as an independent and private tea enterprise, owned by small scale farmers, through their respective tea factories.</p>
<p>F. Portfolio Improvement</p> <p>I. The Government will have established a Task Force to revise exchequer and Audit Act and other financial regulations and procedures with a view to improving timely flow of funds to the district level.</p> <p>II. The Government will have taken steps to implement the recommendations of the task force.</p> <p>III. The Government should have submitted to the Association reports satisfactory to the Association on the implementation of the Government's March circular regarding the processing of payments of donor-funded projects utilising off-shore, special accounts.</p>	<p>Done. GOK established a task force, chaired by the Deputy Accountant General. The task force has prepared a draft of the proposed "Exchequer and Audit (Amendment) Act". Draft bill being revised for finalisation.</p> <p>In progress. To date, the task force has concentrated on separating financial management from audit functions. The accountant has introduced the following measures to improve the flow of funds to the districts: (1) Channelling payments for reimbursement through Central Bank transfers between accounts, rather than writing cheques and transmitting them by post; (2) up-front payment of funds for donor-financed projects; (3) issued Treasury Circular No. 3 of March 2000, which shortened the process of accessing funds from off-shore bank accounts, and (4) instructed ministries to submit exchequer requisition for funding immediately the Authority to Incur Expenditure (AIE) is issued. Furthermore, after completing the separation, the task force will move to examine details concerning budget implementation and disbursement procedures.</p> <p>In progress. GOK has provided a preliminary report for the first quarter of FY2000/01 to the Bank's field office for comments.</p>

Source: MOP, Documentation Centre, 2007

The second policy measure was the approval by Cabinet [and subsequent legislation and implementation] of “a new comprehensive” procurement bill which would result into the establishment of two institutions: a Procurement Appeals Board and a Directorate of Public Procurement [DPP].

The assessment indicates that Kenya’s Cabinet in deed approved the new procurement regulations which were then drafted into a bill by the country’s AG. Subsequent events in the public domain indicate that it took almost four years from the time of this conditionality for the country’s Parliament to legislate the Public Procurement and Disposal Act, which however, is at the moment operational.

The third policy measure as presented under the conditionalities was the approval of the Judicial Code of Conduct (JCC) by the Judicial Service Commission (JDC) with the rationale of regulating the conduct of and proposing “disciplinary measures on all judicial officers”.² This could have been a reaction to the assumed rampant corruption within the judiciary hence a proposed way of instilling moral behaviour on the part of judicial officials.³ It was not clear from the available information whether this was achieved. However, it is clear that the initiative was meant to culminate into a policy as shown.

² Kenya: EPSRC Second Tranche Release Matrix

³ In deed, judicial corruption continues to be an issue of concern in the country as demonstrated by various commission and task force reports including the Kwach report in the 1990s and the report of the judicial commission chaired by the Justice Aaron Ringera after the assumption of power by the National Rainbow Coalition regime in 2003 that led to the “judicial purge”

The fourth policy measure proposed under the conditionalities was the liberalisation of the tea sector through abolition/privatisation of the Kenya Tea Development Authority [KTDA] apart from other measures that would impact on the operations of tea factories. The privatisation of the KTDA in deed was undertaken as reported in the “actual actions” section⁴ when it was transformed into the Kenya Tea Development Agency [KTDA] Ltd., under the Companies Act.

These conditionalities or policy measures therefore had actual policy outcomes in the areas mentioned. The rationale of the conditionalities and policy outcomes ranged from making the office of the C&AG autonomous to regulating the conduct of judicial officers and liberalising the tea sector. Even though most of the policies required the country’s Parliament to play its law/policy making role, the effect of Parliament acting at the behest of initiatives other than those of its own members or the Executive clearly was a negation of the autonomy of Parliament in carrying out its mandates as an expression of the country’s sovereignty.

This is true whether or not there were negotiations of those policies since, as key informants noted, the negotiation of conditionalities is largely a one-sided affair and the fact that there is no unanimity on the question whether or not conditionality-led policies are geared towards meeting the policy needs of Kenyans.

The effect of this Case Study is to demonstrate that in deed conditionalities resulted into policy outcomes. This is in line with and hence a clear demonstration of the finding that

⁴ Kenya: EPSRC Second Tranche Release Matrix

aid conditionalities led to policy outcomes with 94.7 per cent of the survey respondents confirming this position.⁵ It is also a confirmation of the position that there was a high level of adherence to conditionalities.⁶ It is also a demonstration that conditionalities were tied to aid. A majority of survey respondents – 76 per cent – had reported that aid came with conditionalities during the period under review, with only 24 per cent saying “no”.

3.2.2 Requirement to report to “Association”

The requirement to report progress on aspects of the proposed policy reforms is expressly provided for in three of the six broad reform areas: the Anti-Corruption, Transparency and Accountability area; the restructuring of Government and Civil Service Reform area and the Expenditure Prioritisation area. The first area of reporting (Anti-Corruption, Transparency and Accountability) touches on the need for GOK to report on implementation of its plans to enhance “fiduciary transparency involving public resources”⁷ among others.

Further, the Government was required to report on implementation of “its” civil service restructuring plan⁸, including reduction of staff “corresponding to the reduction in the core functions of the government and including the removal of duplication of functions”.

⁵ See Chapter Three

⁶ Subsequent sub sections in this chapter

⁷ Kenya: EPSRC Second Tranche Release Matrix

⁸ It is not clear from the documentation whether the staff reduction plan was GOK’s own plan as implied here. However, the fact that the retrenchment exercises undertaken by Kenya since the early 1990s were donor requirements to reduce Government recurrent spending is public knowledge

The “actual actions” section, on this item, reported that as of November 20, 2000, a total of 23,376 staff had been retrenched and deleted from the civil service payroll including “1,186 employees removed from the payroll after being transferred to an autonomous parastatal [NHIF]”.⁹

In the third area of reporting, the government was required to report on the financing and expenditures on core poverty programmes. Finally, GOK was required to present a quarterly report showing quarterly public expenditures during that Financial Year based on the FY2000/01 budget. In all the areas of reporting the government was required to provide “reports satisfactory to the Association” on the various issues identified.

The Executive arm of the Kenya government is charged with the responsibility of implementing policies created by Parliament. The Executive in turn reports to Parliament which, through its various watchdog committees, is required to vet the actions to ensure they are in line with legal requirements and prudent use of resources. Parliament in this case acts as the watchdog on behalf of the people of Kenya who collectively constitute it.

The EPSRC case presents a situation where the country’s policy implementers are answerable to entities other than those mandated by the people who have the exclusive constitutive right to put in place a government machinery to act for their good. This interferes directly with the functions of the institutions of state and hence the sovereign power of the citizenry. In this case, the field Bank staff seem to play a prefecture role to employees of GOK.

⁹ Kenya: EPSRC Second Tranche Release Matrix

The above conclusion is in line with some key findings of this study. For instance, many of the respondents interviewed were of the view that conditionalities undermined sovereignty by involving foreigners in policy making.¹⁰ The prefecture role played here by “Bank field officers” fall generally under this consideration. The general trend in the EPSRC case is that policy options are discussed with donors before being presented to the country’s policy making organs for consideration.

3.2.3 *Assessment of achievement of conditionalities*

A two-page assessment report titled: *Conditions to be fulfilled Before the Bank Releases the 2nd Tranche of the EPSR Credit* accompanied the *Kenya: EPSRC Second Tranche Release Matrix*. In this communication dated 1st February 2001, the assessment of the conditionalities indicated that by that date GOK had met four of the conditions and was yet to fulfil six conditions. According to the assessment document, half of the conditions yet to be fulfilled were in the area of good economic governance.

This specific funding framework therefore came with strict monitoring actions and timelines requiring government to achieve the set conditions before being able to access the second phase of the credit. In certain areas, it is noted that Government was yet to fulfil its undertakings such as provision of reports by given timelines.

¹⁰ See Chapter Three

The analysis on this particular issue reinforces the analysis above on the reporting requirements. This assessment coming from outside the machinery of the state appears to be intrusive. As shown elsewhere in this report, opinion is divided on whether or not policies deriving from conditionalities during the period under review served the policy needs/interests of Kenyans. The stringent assessment of such policies further aggravates the situation of uncertainty regarding those policies.

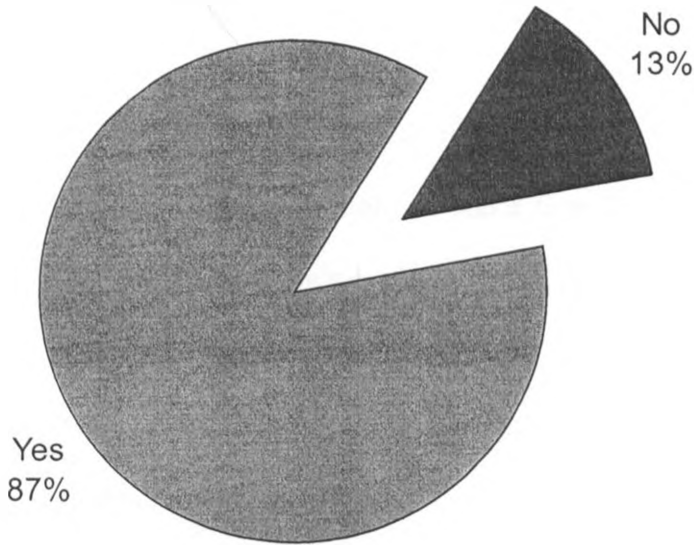
3.3 Conditionalities during 1995 – 2005: The perspectives of respondents

Various questions were raised in the survey and key informant interviews to elicit views on Kenya's experience with conditionalities. A lot of the views confirmed the conclusions arrived at with the EPSRC Case Study. However, additional perspectives were also received more so from the key informants.

3.3.1 Negotiation of conditionalities

On the question of whether or not the conditionalities during the period under review were agreed between donors and GOK, it was largely agreed that this was the case. 86.8 per cent of those interviewed agreed that conditionalities are negotiated between donors and GOK. This question was important not only because of the commonly held view that conditionalities are imposed on weak Governments, but also because it would enable the researcher to dwell on the nature of negotiations. The results to this question are presented herein below in Figure 3.1.

Figure 3.1: Are conditionalities agreed between donors and GOK?



Source: Author Survey, 2007

As indicated in the pie chart, only 23.2 per cent of the respondents said that there were no negotiations of conditionalities. This is still a significant per cent however, considering that the respondents are officials in charge of aid management from GOK and donor institutions.

Interviews with key informants indicated that the issue of whether or not conditionalities are negotiated might not be as clear cut as presented by the data as far as influence on policy decisions is concerned. The devil, as the saying goes, is often in the details. A majority of the key informants were emphatic that oftentimes GOK officials who negotiate aid may not be in a position to refuse to accept the proffered conditions. This is

because GOK and donors do not negotiate from position of equal strength; negotiations are often conducted in an atmosphere of anxiety by GOK officials whose mandate is to source for resources and whose performance is dependent on what they are able to mobilise. According to one donor institution's representative:

“[I]t is not very easy for an aid recipient country to refuse to accept conditionalities since there is more at stake than just the donor funds. For instance, very often a country's credit rating is determined by how they relate with the multilateral donors such as IMF and WB. Credit rating is important when one wishes to access loans even from private sources. Investor confidence is equally an important consideration.”¹¹

A GOK official noted as follows: “[T]he negotiation of aid is often a one-sided affair. Very often the aid giving countries prepare their negotiators very well because they have certain vested interests. It is not easy for our negotiators to know what their brief is. Oftentimes, government negotiators agree to conditions without clear understanding of their implications. Developing countries have generally fared badly in such negotiations.”¹²

All this implies that though there are negotiations on aid and aid conditionalities, the quality of those negotiations was impacted on by various factors that rendered them not very useful in as far as ensuring the country gets a fair deal in any one negotiation.

¹¹ Author Interview, KII 3 DN, 4/7/07

¹² Author Interview, KII 1 GOK, 10/7/07

Perhaps this can explain the very intrusive nature of the conditionalities as seen under the EPSRC Case and could be a factor leading to non adherence to conditions. The pressure to deliver aid resources for GOK may cloud the judgement of those responsible for negotiations.

3.3.2 *Level of adherence to conditionalities*

The question of GOK officials' attitudes towards conditionalities was important in this study since it is GOK officials who implement policies and conditionalities. This question was considered important in understanding and explaining the extent to which Kenya adhered to conditionalities during the period under review. In answer to this question, a significant minority of those interviewed, 26.3 per cent indicated that conditionalities are considered as necessary evil by GOK officials; 52.6 per cent said they were important policy directions. The results are presented below in table 3.2.

Table 3.2: What was the attitude of GOK officials towards conditionalities?

<i>GOK officials' attitude</i>	<i>Frequency</i>	<i>Percent</i>
Necessary evil	10	26.4
Important policy directions	20	52.6
None of the above	4	10.5
Can't say	4	10.5
Total	38	100

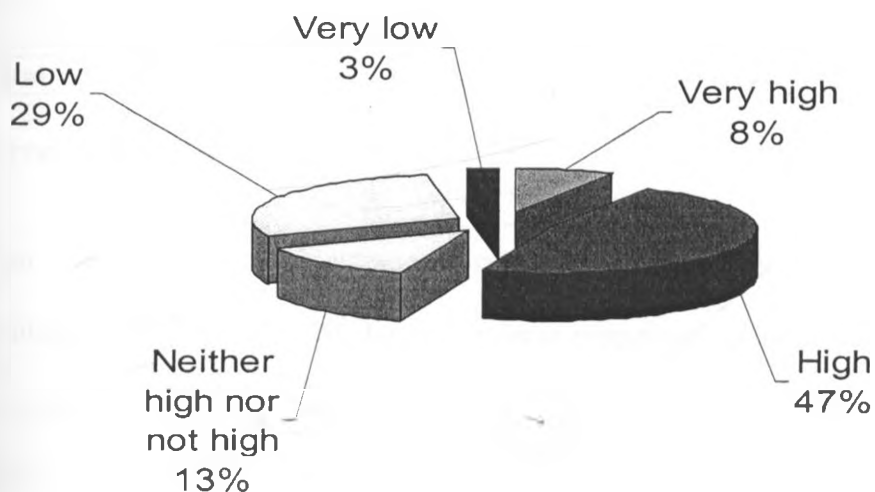
Source: Author Survey, 2007

A cross tabulation of this variable with "nature of respondents" shows that 3 GOK officials said they considered conditionalities to be a necessary evil – to be fulfilled so

that GOK could access funds – while 11 said conditionalities were important policy directions. A bigger proportion of the donor representatives – 7 – said GOK officials consider conditionalities to be necessary evil while 9 of them said GOK officials consider conditionalities to be important policy direction. Naturally, the donors considered that GOK officials have a negative attitude towards aid conditionalities. GOK officials were rather judicious in accepting this fact.

The above pattern was also noted when it came to the question of level of adherence to conditionalities by GOK. A majority of those interviewed – 47.4 per cent – said the level of adherence was high; 28.9 per cent said it was low. 7.9 per cent said it was very high while a minority – 2.6 per cent – indicated that it was very low. These results are presented in Figure 3.2 below.

Figure 3.2: Level of adherence to conditionalities



Source: Author Survey, 2007

Respondents were also asked what the consequences of non adherence to conditionalities were in relation to receipt of aid. “Withholding/stoppage of funds” was the response with the highest count at 31 representing 43.1 per cent of the responses; negative impact on project beneficiaries was second at 20 counts which represented 27.8 of the responses. The various responses are reproduced below in Table 3.3.

Table 3.3: What were the consequences of non adherence to conditionalities?

<i>Category label</i>	<i>Count</i>	<i>Percent of responses</i>
Withholding/stoppage of funding hence reduced volumes of aid	31	43.1
Negative impact on implementation of projects	9	12.5
Negative impact on project beneficiaries	20	27.8
Negative impact on country credit rating	1	1.4
Kenya required to refund disbursed funds	1	1.4
Distortion of budgetary priorities	1	1.4
Less predictability of aid	2	2.8
Strained relations between Kenya and donors	3	4.2
High transaction costs	1	1.4
Increased opportunities for bad governance	1	1.4
Undermining of investor confidence	1	1.4
Increase in domestic borrowing	1	1.4
Total	65	100

Source: Author Survey, 2007

When asked to give illustrations of the consequences of non adherence to conditionalities, a number of the respondents pinpointed some of the actions that had been taken in this regard including stoppage of aid funded programmes. A select number of these illustrations are reproduced below in table 3.4.

Table 3.4: Illustration of select consequences of non adherence to conditionalities?¹³

<i>Consequence</i>	<i>Illustration</i>
Withholding/stoppage of funding hence reduced volumes of aid	<ul style="list-style-type: none"> • Withdrawal of funds by USAID committed to the anti-corruption reforms • Stalled projects at public universities mostly funded by World Bank
Negative impact on implementation of projects	<ul style="list-style-type: none"> • Stoppage of funding for the Kenya Public Sector Reform Project
Negative impact on project beneficiaries	<ul style="list-style-type: none"> • Government of Sweden withheld funding for education and health sectors
Kenya required to refund disbursed funds	<ul style="list-style-type: none"> • IDA suspended the Kenya Urban Transport Project [KUTIP] and government had to refund some of the funds committed to the project

Source: Author Survey, 2007

To further illustrate the consequences of non adherence to conditionalities, the case of privatisation of TELCOM and the Kenya Commercial Bank [KCB] are worth considering. In a ministerial briefing document titled *Serious Ramifications if Privatisation of TELCOM is not completed*¹⁴, it is documented that “under the agreement with IMF and World Bank, the major enterprises to be privatised in this financial year [2000/01] included TELKOM and KCB”. The document goes further to state that this intended sale was documented under the Interim Poverty Reduction Strategy Paper [IPRSP], itself a donor conditionality as has been discussed¹⁵, GOK’s Memorandum of Economic and Financial Policies to the IMF and in the Government’s Letter of Development Policies to the World Bank. In these documents GOK had indicated it would offer 49 per cent of TELKOM for sale.

¹³ The respondents demonstrated discomfort with this question, therefore what came out as illustrations were not quite as exact as the researcher had hoped

¹⁴ Dated November 8 2000 [Document obtained at the MOP Documentation Centre, Treasury Building]

¹⁵ Discussed in Chapter Two

It is documented in this case that “inability to make progress on privatisation may be construed as a deliberate effort to reverse agreed reforms after obtaining commitments of support from International Monetary Fund, World Bank, other development partners and donors”. Failure to sell TELKOM, it is further documented, “would lead potential investors to believe there is something fundamentally wrong with this transaction and it would be difficult to convince future potential bidders to participate.”

The document goes further to document the three “serious ramifications” as 1] termination of the IMF programme; 2] withholding of loan disbursements, and 3] large gap in financing the year’s budget. The termination of the IMF programme is regarded as a serious consequence which will not only result in shortage of funds, but might create a ripple effect with other donors and lenders such as “World Bank, ADB, DFID, EU”, among others, suspending their own funding commitments to GOK.

If the termination happens the country would, according to the document, lose support from the other donors as follows: US\$100 million from the World Bank; US\$40 million from ADB; Pounds 30 million from DFID; and US\$26 million from IMF. All these losses would result in a financing gap about US\$300 million or an equivalent of Kshs.24 billion for the financial year under consideration. Further, the rescheduling by the Paris Club of a US\$366 million debt and by the London Club of a US\$100 million debt would be put in jeopardy further complicating the situation. As a result of the budget deficit GOK would

have to borrow heavily from the domestic market worsening the interest rate situation and crowding out other borrowers.

The TELKOM and KCB cases described above point out to various important factors in regard to negotiation of aid conditionalities and consequences of non-adherence to conditionalities. It is demonstrated in this case that conditionalities are not negotiated on the basis of clear guidelines on what to accept and what not to accept; lack of power to negotiate conditionalities since the negotiations took place in conditions of dire need for support by GOK; as well as the fact that the conditions are based on accomplishment of policy actions that need the input of other organs of state apart from the Executive. The question of policies on conditionalities is a particularly vexing one.

Though Kenya has policies on external loans, for instance, relating to the grant element of 35 per cent for every loan procured, or the borrowing ceiling of Kshs.500,000 million¹⁶, the country at the moment does not have a policy guiding conditionalities, that is, proper guidelines that give direction on what is acceptable and what is not acceptable. When the question of whether or not Kenya has policies on conditionalities was put to respondents, a majority of them – 62.3 per cent – simply said none existed. 13.8 per cent pointed to the existence of a draft foreign aid policy, while 7.9 per cent said there was no written policy. The remaining 13.2 chose not to commit themselves by stating they did not know whether such a policy existed or not.

¹⁶ This figure was set by Parliament in 2000

The significance of the above is that the country lacks proper guidelines on what to accept as conditionality and what to reject. The negotiation of conditionalities is therefore an open field left to bureaucrats to choose what to tie the country to based on their own good sense, vested interests or whatever other factor may motivate them. No wonder then that most of the key informants interviewed confirmed that negotiations for aid and aid conditionalities are often a one sided affair with the representatives of donor institutions having the upper hand owing to their relative power because they have the resources, and their superior preparation on the subject matter of negotiation.

From the perspectives above, it is no wonder that the country finds it difficult to adhere to all conditionalities. Though a majority of those interviewed – 47.4 per cent – had indicated that the level of adherence to conditionalities was high, an equally high proportion of respondents – 81.6 against 13.2 per cent – when asked whether GOK adheres to all conditions, answered in the negative. These results are presented in table 3.5 below.

Table 3.5: Did GOK adhere to all aid conditionalities?

<i>GOK adhere to all conditionalities?</i>	<i>Frequency</i>	<i>Percent</i>
Yes	5	13.2
No	31	81.5
Can't say	2	5.3
Total	38	100

Source: Author Survey, 2007

Non adherence to all donor conditionalities led to certain consequences as illustrated above with the most common consequence being the withholding of donor funds. Though the question was not posed, the non adherence to conditionalities might be explained by the fact that the institution negotiating conditionalities [mainly ERD, Ministry of Finance] was different from those that implement projects using donor funds in the line ministries.

It could also be explained by the fact that at times GOK officials accept conditionalities merely to access funds and not because they are committed to their implementation. Because of the circumstances of negotiation of conditionalities, among other reasons, some of those interviewed saw negative impacts when conditionality led policies are implemented. As one donor representative noted:

“... there are negative and positive sides of conditionality. They may lead to important policy outcomes and expedite policy making. However, some like privatisation may lead to privatisation of essential services with no promise of improved service delivery.”¹⁷

The fact that conditionality led policies may not always be useful to the country can be explained by the fact that they are not always motivated by the interests of the country. Many of the respondents thought that the interests of foreign countries often find expression in conditionalities tied to aid. One of the most criticised areas of influence is the area of privatisation.

¹⁷ Author Interview, KII 3 DN, 4/7/07

Finally, respondents were asked whether generally conditionalities were negotiated between GOK officials and donors during the period under investigation. A large number of those interviewed – 89.5 per cent – said conditionalities were generally negotiated between GOK and donors. This compares well with the number of those who had said yes to the question: were these conditionalities agreed between donors and yourselves [GOK officials], which stood at 86.8 per cent “yes”. This question was meant to check the other questions and to establish the level of consistency in the opinions of the respondents.

3.4 Conclusion

This chapter has presented findings on various experiences Kenya has had with conditionalities. The key findings include: that conditionalities resulted in policy outcomes during the period under review and some institutions created by GOK can be used to illustrate these outcomes; that GOK negotiated conditionalities from a weak position even though conditionalities were generally negotiated as confirmed by the study; that there was a high level of adherence to conditionalities during the period under review; that GOK lacked a policy on conditionalities hence exposing itself to acceptance of any conditions and that GOK did not adhere to all donor conditions.

Apart from the important perspectives from respondents, the chapter used the case of the EPRSC conditionalities as well as the privatisation of TELKOM and KCB to describe in detail Kenya’s experience with donor conditionalities. The conclusions reached arise from all these different sources of information. The Case Study was particularly useful in

discussing the conditionalities and their policy outcomes while the TELKOM and KCB cases were useful in discussion on the consequences of non adherence to aid conditionalities. The next chapter presents findings on the link between conditionalities and actual policy decisions and also discusses issues of sovereignty and donor conditionalities.

CHAPTER FOUR

DONOR CONDITIONALITIES AND POLICY DECISION MAKING

4.1 Introduction

The last specific objective of this study was to analyse and describe the extent to which donor conditionalities impacted on policy decisions taken by the GOK during the period under review. The previous chapters have documented and analysed the trend and character of foreign aid received by GOK between 1995 and 2005, and further analysed the conditionalities tied to donor aid during that period.

In answering to the above objective, this chapter employs the results of the survey and key informant interviews. It goes further to relate the findings of this chapter to the Economic and Public Sector Reform Credit [EPSRC] Case Study as presented and analysed in Chapter Three. The key variables analysed include whether or not conditionalities led to specific policy outcomes; whether conditionalities guided the process of policy formulation; whether conditionalities undermined decision making role of the Kenyan state; whether policies emanating from conditionalities were favourable to foreign governments and aid agencies and the extent and direction of influence of conditionalities on GOK policies.

4.2 Aid conditionalities and policy outcomes

The first question under this objective was to establish whether or not [and the extent thereof] foreign aid conditionalities led to specific policy outcomes during the period

under review. There was almost complete unanimity on this issue with almost all the respondents – 36 out of 38 representing 94.7 per cent of the respondents – saying that aid conditionalities led to specific policy outcomes during the period under review; the remaining two respondents did not venture an opinion meaning none of the respondents actually gave a negative response to the question. The results of this question are presented in table 4.1 below.

Table 4.1: Did conditionalities lead to specific policy outcomes?

<i>Did conditions lead to policy outcomes?</i>	<i>Frequency</i>	<i>Percent</i>
Yes	36	94.7
Can't tell	2	5.3
Total	38	100

Source: Author Survey, 2007

The high level of agreement with the view that conditionalities led to specific policy outcomes corroborates the findings of the EPSRC Case Study that almost all the policy conditionalities ended up as policies. As established under the EPSRC Case Study, conditionalities also resulted in the creation of different institutions such as the Procurement Appeals Board, the Kenya National Audit Office [KENAO] and privatisation of the Kenya Tea Development Authority [KTDA].¹

¹ See EPSRC Case Study, Chapter Two [It was noted in that chapter however, that the creation of some of the institutions took a number of years. It is possible that other funding frameworks reinforced some of these conditionalities and hence their being put in place could be the result of the conditionalities of various funding programmes not just those of EPSRC]

To further corroborate the finding that policies led to policy outcomes, respondents were asked to give examples of policies that had resulted from foreign aid conditionalities. Some of the policies mentioned were: retrenchment of civil servants due to the requirement to cut the wage bill²; enactment of the Procurement and Public Disposal Act and creation of various institutions thereof; creation of various watchdog institutions such as the Kenya Anti-Corruption Commission [KACC] founded to spearhead the fight against corruption in the country, and the Kenya National Commission on Human Rights [KNCHR], which is the premier public human rights watchdog/institution, among others.

The key informants interviewed in this study also concurred generally with this finding and some listed the areas of policy that in their view resulted from conditionalities. Perhaps the one key addition to the list is the divestiture/privatisation policies which targeted key public enterprises such as the Kenya Commercial Bank [KCB] and TELKOM Kenya.³ Among the respondents, the divestiture programme attracted criticism as a policy meant to serve the interests of donor countries and particularly business firms from their countries that would be interested in acquiring a stake in the Kenyan business scene. The sale of public owned enterprises and insistence that bidding must be international for such divestiture was heavily criticised. One key informant noted as follows: "... the requirement to privatise public institutions presents a conflict of interest with foreign governments only pushing for the privatisation of profitable ventures or "cash cows" like TELKOM Kenya and the Kenya Ports Authority [KPA]".⁴

² Specifically, the wage bill was to be reduced from 8.2% - 7.2% of the country's GDP

³ Also documented in Chapter Three

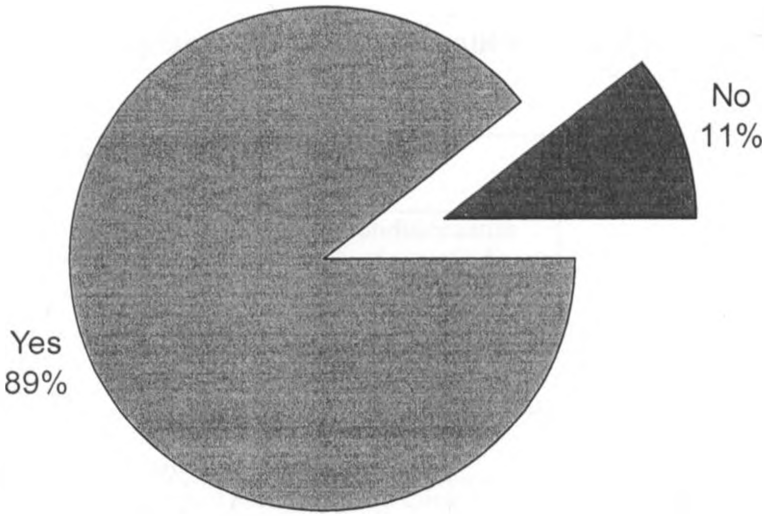
⁴ Author Interview, KII 7 DN, 13/8/07

An equally high number of respondents – 89.5 per cent [compared to 94.7 per cent in the case of conditionalities leading to specific policy outcomes] agreed with the view that conditionalities guided the process of policy formulation. Only 10.5 per cent thought that foreign aid conditionalities did not guide the process of policy formulation. The value of this question was to check the question of whether or not conditionalities actually resulted in policy outcomes. The interpretation here is that in some cases conditionalities may guide the process of policy formulation but not end up with definitive policy outcomes.

In deed, cases have been recorded where Parliament has rejected certain proposed legislation due to one reason or the other⁵. It is also in line with the earlier finding that at times GOK officials accept conditionalities merely to facilitate receipt of donor funds but with no commitment to implement the conditionalities or the policies they result in. Figure 4.1 presents the results to this question.

⁵ The rejection of the Forest Bill is a case in point

Figure 4.1: Did conditionalities guide policy formulation?



Source: Author Survey, 2007

Respondents were further required to explain why they thought conditionalities influenced policy formulation. A majority explained that a lot of the existing policies had in deed resulted from conditionalities, a finding that further corroborates the EPSRC case.⁶ A significant number of respondents said the country was weak in negotiating conditionalities hence tended to accept policy conditionalities that guide policy formulation or end up as GOK policies. This is because of the desperate need for resources to augment GOK's internal resources and because the performance of those bureaucrats is measured against the amounts of resources they are able to mobilise. In this case, GOK officials were many times prepared to bend backwards to accept

⁶ The rider here, as stated earlier, is that in many cases it is not clear whether GOK had intended to implement the policies in question but failed due to vested interests and/or political imperatives. As it is some of the key informants claimed that what are seen as conditionalities are often things that GOK had planned to achieve and that the effect of conditionalities was basically to hold GOK institutions to their own plans

conditionalities which were seen as instrumental to accessing aid resources. The results to this question are presented below in table 4.2.

Table 4.2: Explanations of conditionalities guided policies

<i>Category label</i>	<i>Count</i>	<i>Percent of responses</i>
Many policies in place influenced by conditionalities e.g. public sector reform, PRSP, retrenchment policy	11	37.9
Foreign experts have direct input in policy formulation	4	13.8
Policy makers tailor policies in line with conditionalities	4	13.8
Country is in dire needs of funds hence weak in conditionality negotiation	4	13.8
Policy makers rely on best practices from other countries packaged as conditionalities	5	17.2
Policies are negotiated with stakeholders hence guide formulation	1	3.4
Total	29	100

Source: Author Survey, 2007

All the responses reproduced above point to the fact that conditionalities guided policy formulation by GOK and in deed resulted into certain policy outcomes. As indicated, some of the respondents illustrated this by pointing out to policies such as the Poverty Reduction Strategy Papers [PRSPs]⁷, the retrenchment policies implemented by GOK since the early 1990s as well as the public sector reform policies as policies that were influenced by donor conditionality. The view that conditionalities are best practices from other countries was supported by key informants from donor institutions but heavily

⁷ In deed, one researcher has referred to PRSP as the PRSP Conditionality. See June Kiringai, Debt and the PRSP Conditionality, the Kenya Case, A Paper Presented at the Wider Development Conference on Debt Relief 17-18 August, Helsinki, Finland

contested by GOK officials. In particular, it was noted that some of the policies had ended up causing problems in service delivery to Kenyans.

Supporting the optimistic view that policies had advanced decision making by Kenya, one donor representative observed that: “[C]onditionalities have moved Kenya quite a bit... without conditionalities Kenya would be doing very badly in terms of policies. This is because what are said to be conditionalities are best practices from other countries and they have helped them to develop...”⁸ Another one said, “[C]onditionalities are not necessarily unhealthy. There are those that are fair, for example, those that deal with improvements in public management processes and therefore can deal with issues of concern such as corruption.”⁹

4.3 Extent and direction of influence

What is the extent to which aid conditionalities influenced decision making by GOK? Was the direction of influence positive or negative? These questions logically follow after the analysis above of conditionalities and policy outcomes. These questions also form an important bridge connecting the above analysis to the analysis of the relationship between foreign aid conditionalities and state sovereignty.

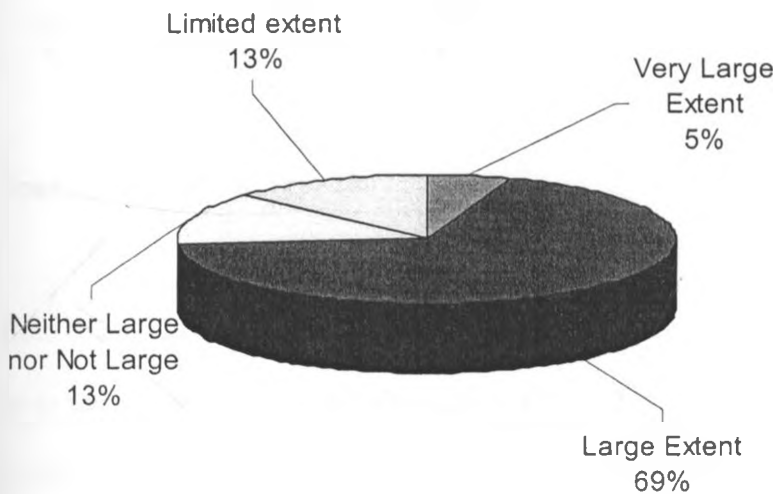
On the question of the extent to which conditionalities influenced policy decision making, a majority of the respondents – 69 per cent – were of the opinion that conditionalities had influenced policy making to a “large extent” while 13 per cent said to

⁸ Author Interview, KII 1 DN, 3/7/07

⁹ Author Interview, KII 2 DN, 10/7/07

a “limited extent”. Again this presents a high level of agreement with the high number of respondents saying conditionalities guided the process of formulating policies and, similarly, to those who said conditionalities resulted in policy outcomes not to mention the clear illustration provided by the EPSRC case. The results for this question are presented in the Figure 4.2 below.

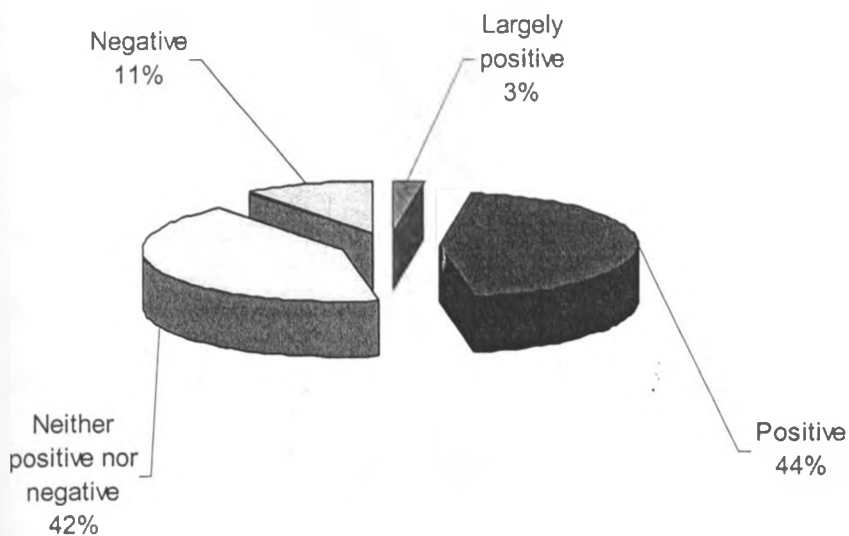
Figure 4.2: Extent of influence of conditionalities



Source: Author Survey, 2007

The same trend – as with extent of influence of conditionalities – was observed in responses given to the question of direction of influence of policies which sought to analyse whether this was considered positive or negative. A majority indicated that the influence was positive as presented below in Figure 4.3.

Figure 4.3: Direction of influence of conditionalities



Source: Author Survey, 2007

Both the above outcomes point to agreement among these two groups of aid bureaucrats as to the nature of influence that aid conditionality had on the country during the period under review. The findings are generally in agreement with the optimism expressed over the issue of whether or not the policies are favourable to Kenyans. A cross tabulation of the two variables with the “nature of respondents” showed that there were no significant differences in opinion. On the question of extent of influence, for example, no GOK official indicated “very large extent”, while 13 indicated “large extent”. Three respondents said “limited extent” while two chose the middle path. On the side of the donor representatives, two said “very large extent” while 13 said “large extent”. Of the remaining five, three indicated “neither limited nor not limited”, while two said “limited extent”. No GOK official opted for “very large extent” or “largely positive” in both

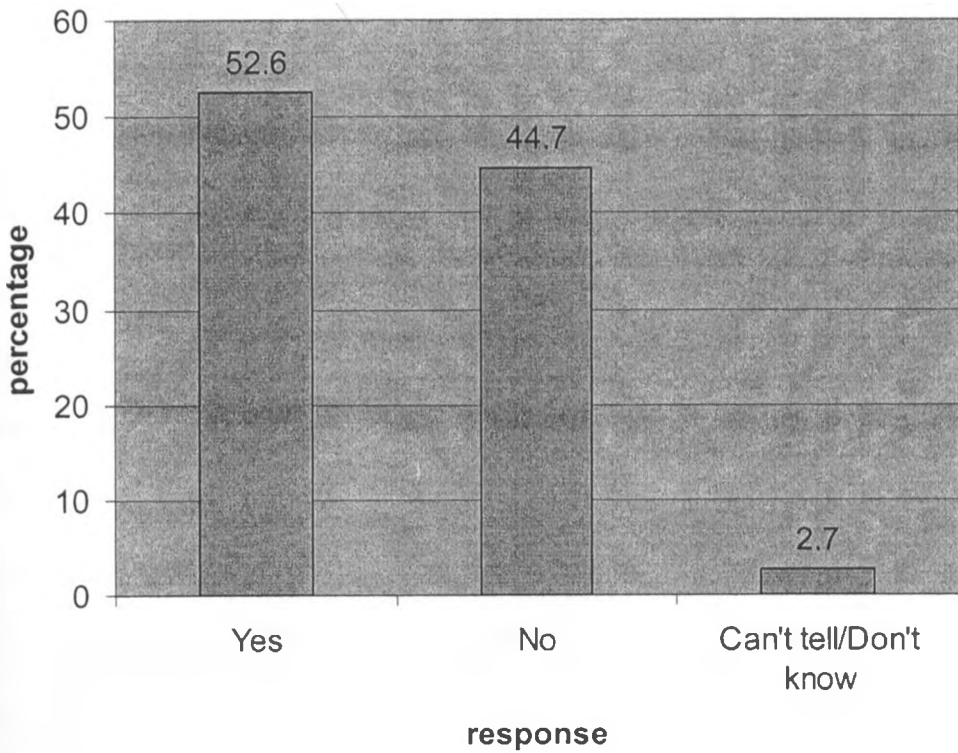
instances. However, these findings do not seem to agree with the view that conditionalities undermined the role of decision making by the state apparatus and the strong views expressed about the relationship between conditionality-led policies and state sovereignty as will be seen below.

4.4 Aid conditionalities and sovereignty

This study also considered the relationship between conditionalities, conditionality-led policies and their implications on the role of the state in decision making and sovereignty. First, respondents were asked if they considered that conditionalities undermined the decision making role of the state. This question gained more significance since many of the key informants had portrayed aid and conditionality negotiations as “one sided” affair where the representatives of donor institutions had an upper hand and the fact that many times GOK officials were unable to resist conditionalities even when they were potentially damaging to the country’s interests since they had to find resources to implement GOK policies in face of budgetary deficits.

In response to this question, a larger proportion of the respondents, 52.6 per cent, were of the view that conditionalities undermined the decision making roles of the state while 44.7 per cent said they did not. 2.7 of the respondents did not venture an opinion on this issue. These results are presented in Figure 4:4 below.

Figure 4.4: Did aid conditionalities undermine decision making roles of the Kenyan state apparatus?



Source: Author Survey, 2007

Those respondents who said conditionalities undermined the decision making role of the state explained that this was because conditionalities interfere with development planning processes; that conditionalities are not neutral and serve the interests of the aid giving countries more than the recipients'; that conditionalities by multilateral donors were highly intrusive; and that conditionalities shaped policies. Those who thought conditionalities did not undermine the role of the state thought this was so because: there was minimal impact on the roles of the state; that conditionalities were negotiated and

agreed among donors and GOK officials and such negotiations eliminated negative impacts; and that without conditionalities Kenya could not have realised crucial reforms.

The answers to this specific question raise vital issues that require further investigation. It is not clear, for instance, how the views expressed in this question can be reconciled with the optimism expressed on some of the foregoing questions. If, for instance, conditionalities undermined the decision making roles of the state, then how could the direction of influence be positive? Again, if it were the case that conditionalities undermined the decision making role of the state, then how would the conditionality led policies serve the interests of Kenyans? In regard to the ESPRC Case Study, for instance, it was found that many of the prescriptions delivered as conditionalities translated into actual policies. However, GOK functionaries were not happy with all the policies and expressed displeasure specifically about the divestiture policies, which is ironical since they are the ones who accept such policies in the first place. An interpretation of this situation is that in the raft of policy conditionalities that ultimately translate into policy, GOK functionaries find a bigger proportion of them useful even though they may not be happy with the fact that those policies result from conditionalities. In other words, caught up in an aura of patriotism and ruing the sense of dependency that conditions create in policy making, GOK officials would like a situation where the beneficial policies are “home grown”. It is not clear why those beneficial policies cannot be made by GOK officials.

Asked whether conditionality-driven policies were favourable to foreign governments and aid agencies more than to Kenyans, 39.5 per cent of the respondents said they did while less than half the number of respondents, at 47.8 per cent, said they did not. 39.5 per cent presents a significant counterview given the type of respondents interviewed in this study. A cross tabulation of this variable with “nature of respondents”, showed that there was similarity of opinion on this matter among the two groups of aid bureaucrats. Seven GOK officials and 8 donor officials said yes to the question; on the other hand, 8 GOK officials and 10 donor representatives said no to the question.

Some of the reasons given by those who said conditionalities led to policies favourable to foreign governments included: that liberalisation policies had led to collapse of local industries and the sale of public owned enterprises had benefited only foreign firms; and that the reduction of the wage bill through downsizing had meant Kenyans were unable to find jobs locally and hence had to sell their skills abroad leading to brain drain. They further indicated that the interests of aid giving countries were achieved through conditionalities and, finally, that aid was tied to purchase of goods and services from aid giving countries. On the other hand, those saying policies did not serve the interests of donor countries reasoned that conditionality led reforms injected efficiency in various government institutions; that the governance situation had improved because of those policies; and that negotiation of policies ensured that the interests of Kenyans were taken into account. Table 4.3 below gives the counts and percentages of all the responses.

Table 4.3: Did foreign aid conditionalities lead to policies favourable to foreign governments?

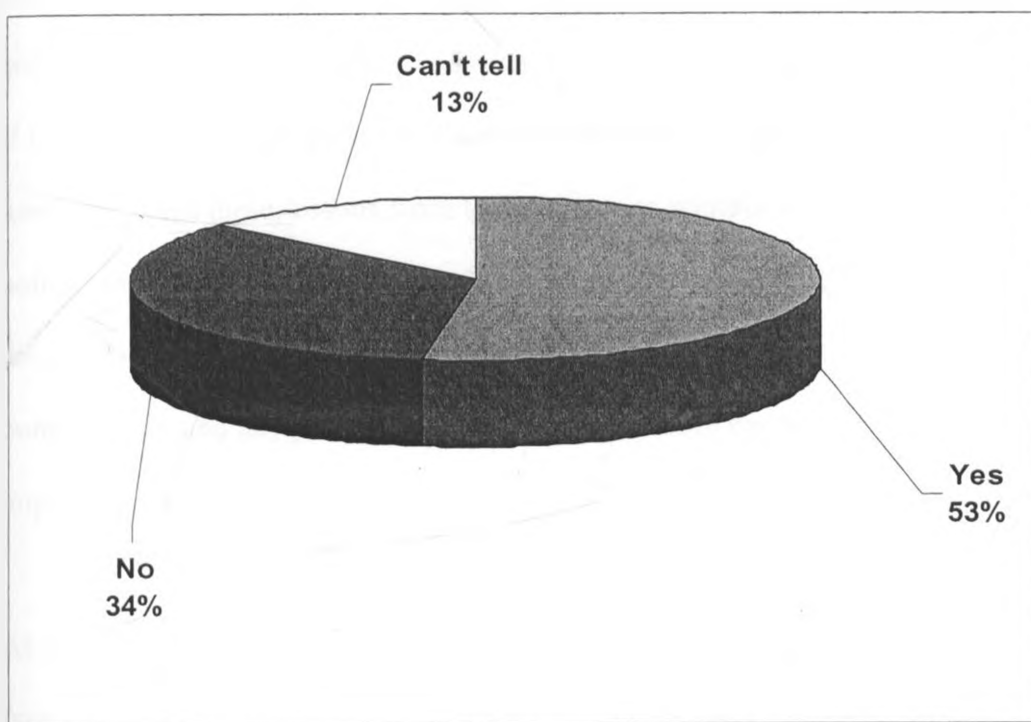
<i>Category label</i>	<i>Count</i>	<i>Percent of responses</i>
Liberalisation/privatisation policies led to collapse of local industries hence favouring foreign firms	4	16.7
Reduction of wage bill meant Kenyans may not find employment hence brain drain	1	4.2
Aid giving countries have interests that are served through conditionalities	7	29.2
Conditionality led reforms have injected efficiency in government institutions	2	8.3
Governance situation has improved due to conditions	5	20.8
Negotiations ensure policies benefit Kenyans	4	16.7
Aid is tied to purchase of materials from the giving country	1	4.2
Total	24	100

Source: Author Survey, 2007

A further analysis of the reasons given for and against the question creates a paradox of sorts. The “major” reasons are “Liberalisation/privatisation policies led to collapse of local industries hence favouring foreign firms” [16.7%]; “Reduction of wage bill meant Kenyans may not find employment hence brain drain” [4.2%]; “Aid giving countries have interests that are served through conditionalities” [29.2%]; and “Aid is tied to purchase of materials from the giving country” [4.2%] on the one hand and “Negotiations ensure policies benefit Kenyans” [16.7%]; “Governance situation has improved due to conditions” [20.8%] and “Conditionality led reforms have injected efficiency in government institutions” [8.3%] on the other. The first three reasons score a total of 54.2 per cent while the other reasons score a total of 45.8 per cent. This seems to contradict the fact that many of the respondents considered conditionality led reforms to be beneficial to Kenyans more than to foreigners.

The above postulation is further given legitimacy by the finding on the question: did conditionality led policies serve the needs of Kenyans? To this question, a majority of the respondents – 52.6 per cent answered in the affirmative, while 34.2 per cent answered in the negative. The remaining could not make up their minds either way on this issue. The results for that question are presented herein below in Figure 4.5.

Figure 4.5: Did conditionality led policies serve the needs of Kenyans?



Source: Author Survey, 2007

The conclusion here is that there is tension between accepting that some of the policies have in deed enhanced the good governance/management of resources in the country introducing efficiency in the management of institutions on the one hand, and

condemning the policies that have obviously been put in place so as to enhance benefits to foreign firms in the areas of liberalisation and trade. Therefore, whereas respondents are prepared to appreciate the benefits of some of the conditionality led policies, they are also caught up in expressing negative attitudes towards policies they consider to originate from outside the machinery of government and that may in deed be inimical to the interests of the country and its citizens.

This paradoxical situation leads one to ponder why, if certain policies introduced through conditionalities were beneficial to Kenyans, they were not introduced without the muscle and prefecture of conditionality, aid institutions and, by extension, foreign governments? If those policies are in deed best practices from other countries, why has the Kenyan state itself not learnt these lessons from those countries without the said prefecture? From a policy analysis perspective one could probably find solace in the explanation that there are often many roadblocks to reform, which include the vested interests served by various bureaucracies and key personalities and/or politicians in charge of policy formulation and implementation.

At the macro level, the management of politics and ensuring stability of the state in the face of strong resistance from beneficiaries of the status quo often means that reform measures are sacrificed by main political players when looking for influential collaborators hence worsening the matrix of vested interests. The Kenyan attempt to reform the state has met with some of these challenges leading to, for instance, the collapse of the country's constitution review process. This issue could also be looked at

differently by focusing on the implementation of reform measures and/or existing laws. As one GOK official noted: “[O]ne could say some of the laws and policies were in place even before donors started issuing conditionalities; however, they were not being enforced hence the conditionalities”¹⁰. This attempt however, only partly resolves the paradox.

In addition to the above, respondents were further required to rate Kenya’s level of adherence to conditionality led policies. A distinction was made by the study between adherence to conditionalities and adherence to conditionality led policies since there are situations where GOK officials agree to conditions merely as a matter of convenience but with no intention to adhere to and implement them. In deed, on the question of attitudes of officials towards conditionalities, a significant minority – 26.3 per cent – had opined that conditionalities are considered by GOK officials as necessary evil – to be accepted in order to facilitate access to aid funds but with no commitment to adherence or implementation. The rating of the level of adherence to conditionality led policies is as presented below.

Table 4.4: Level of adherence to conditionality led policies

<i>Adherence to conditionality led policies</i>	<i>Frequency</i>	<i>Percent</i>
High	17	44.7
Neither high nor not high	14	36.8
Low	7	18.4
Total	38	100

Source: Author Survey, 2007

¹⁰ Author Interview, KII 2 GOK, 1/8/07

A higher percentage of respondents, as indicated, were of the opinion that the adherence rate was high. However, it is important to note that a significant proportion of the respondents put the level of adherence at low or neither high nor low. This is significant because compared to the responses given to the question on level of adherence to conditionalities, there was a significant difference. It wasn't clear whether the non adherence to conditionality led policies was as a result of the status of those policies or whether it was caused by the general lackadaisical attitude towards implementation of policies that has been witnessed in the country for many years. This is important because if it is established that there is a lower rate of implementation of conditionality led policies as opposed to policies originated by GOK, this factor would be significant in this analysis.

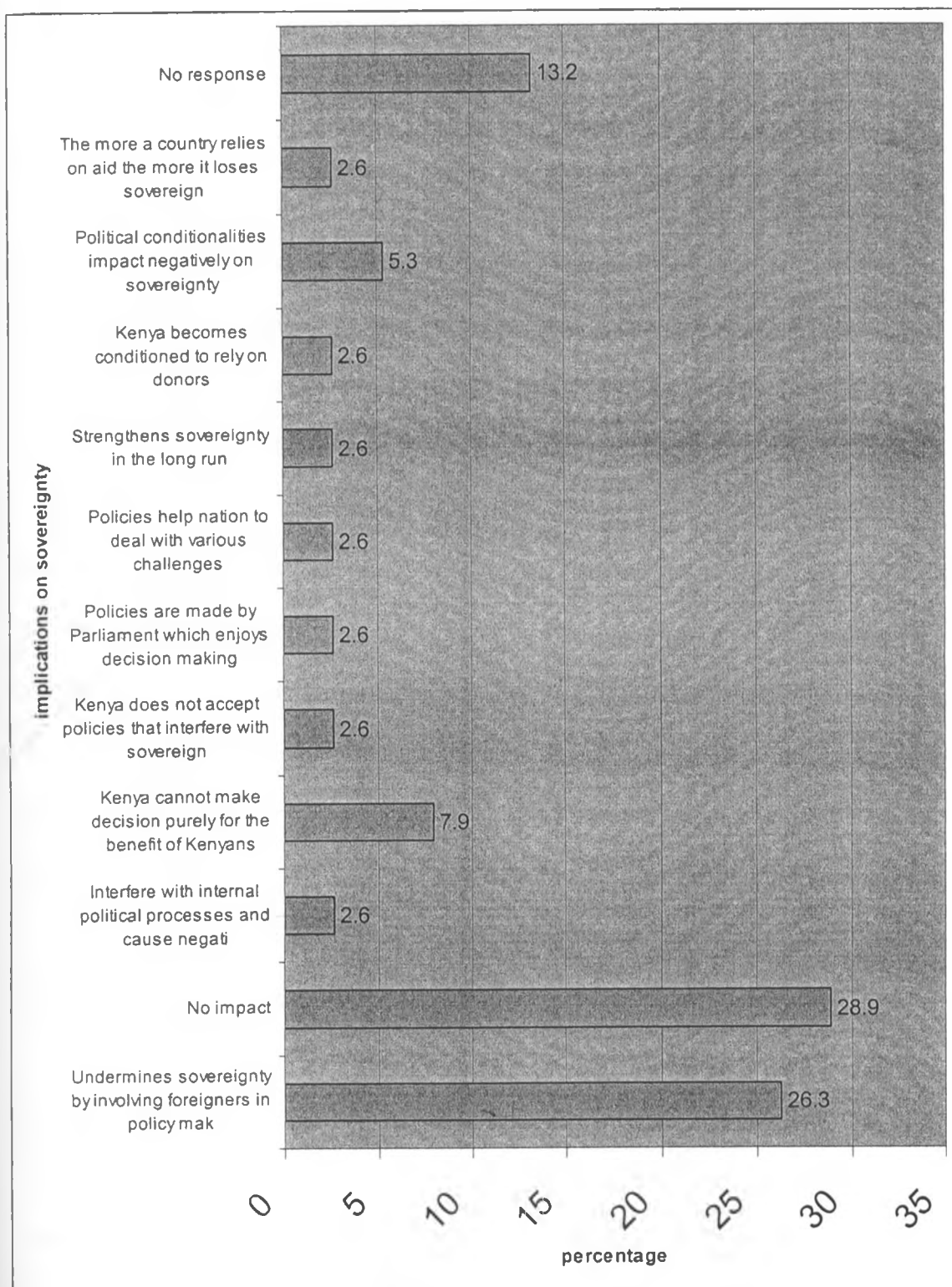
On the level of adherence to conditionalities, those who had indicated high and very high totalled 55.3 per cent of the respondents as compared to 44.7 per cent in the case of adherence to conditionality driven policies. This roughly corresponds with the finding that a significant minority of GOK officials treat conditionalities as necessary evil.

Finally, respondents were required to explain the implications of conditionality led policies to Kenya's sovereignty. 33 of the respondents gave various responses to this question while 5 did not respond. 11 respondents [28.9 per cent] simply said policies did not have any impact on sovereignty. However, 10 respondents [26.3 per cent] said such policies undermined sovereignty by involving foreigners in decision making, while 7.9

per cent said the influence of conditionalities on policies meant the country could not make policies purely for the benefit of Kenyans. This is important since the legitimacy of the state as a representation of the collective will of the people depends on the extent to which it is seen to embody the interests of the citizenry.

Of the remaining respondents, 5.3 per cent said “political conditionalities” impacted negatively on sovereignty. One example of political conditionalities given was that of “fighting terrorism”. Those who said there was no impact tended to reason that since the country relied on foreign aid there was no point considering impact on sovereignty since reliance on foreign aid in itself was a mark of weak sovereignty. Those results are presented in Figure 4.6 herein below.

Figure 4.6: Implications of conditionality led policies to sovereignty



Source: Author Survey, 2007

The question of conditionality-led policies and their impact on sovereignty was in deed one of utmost importance in this analysis. In the discussions with key informants, various issues of importance were noted in regard to this relationship. One respondent poignantly pointed out that “the more a country relies on foreign aid the more it loses its sovereignty”¹¹. In the same vein another donor representative argued that, “[A] country that is largely donor dependent loses on sovereignty since it has a large budget deficit and has to agree to many conditions. Sovereignty can only be assured if a large percentage of the country’s budget is funded through government’s own tax”.¹²

If one goes by the views expressed above, then the fact that a state depends on aid to conduct its affairs is a fact that is frowned upon in the states system. In reverse, this means states value their independence in decision making as a mark of sovereignty. There are those respondents who took the popular line in argumentation that sovereignty is no longer a value of major concern in the relationship between states. Yet, when one takes into account the responses to the question whether conditionalities undermine decision making by the state, it is obvious that there is pride in independent decision making among state bureaucracies. This issue therefore presents another paradox.

One of the most significant finding that came out of this discussion is the fact that bilateral donors “use” the multilaterals to impose conditionalities on aid receiving countries. According to one key informant, the multilateral agencies are supposed to act

¹¹ Author Interview, KII 1 DN, 3/7/07

¹² Author Interview, KII 4 DN, 8/8/07

as “the tough guys”¹³, cajoling and even arm twisting reluctant governments to accept conditionalities.¹⁴

Even though both rich and poor countries are members of the multilateral institutions like IMF and in deed make payments to those institutions, the voting power is largely dependent on ones contributions. This means that these institutions are controlled by the rich countries who are also bilateral donors to poorer countries and who employ their muscle in the multilateral institutions to ensure certain policy prescriptions are realised in poorer countries.

It came out in the discussion that Kenya is considered to be a in a better position than countries such as Uganda and Burkina Faso when it comes to the influence that aid conditionalities have on decision making. This is because these countries are more reliant on aid than Kenya is.

In this regard, a lot of optimism was expressed in regard to Kenya’s current circumstances where the country is now able to fund a big proportion of its recurrent expenditure without donor funds. In deed, the country has for two financial years [2005/06; 2006/07] opted not to factor in donor funds in its annual budgets, a fact that has not been received too well by aid vendors. This was pinpointed by many respondents as a positive sign that the country may be getting itself out of donor dependency.

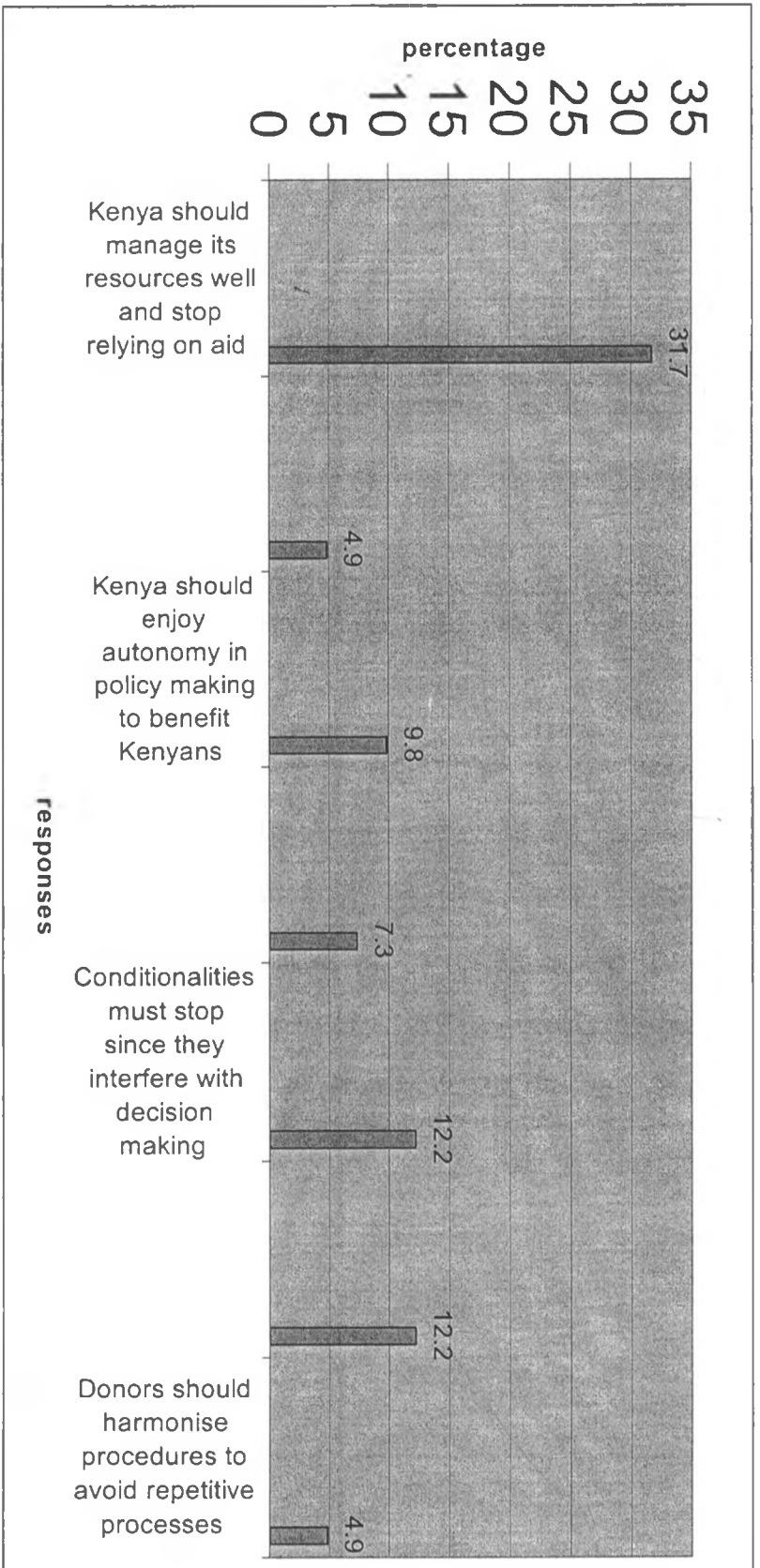
¹³ Author Interview, KII 4 DN, 8/8/07

¹⁴ Though countries like Kenya are in fact members of the multilateral institutions such as the World Bank, their voting power is extremely low compared to their industrialized rich counterparts since the voting power in such institutions is a function of amounts contributed by different states which in turn is a function of the relative wealth of that state

In deed, this view was confirmed when respondents were asked to give their final comments on the matter of foreign aid and its influence on decision making. The leading responses to this question were telling of the general attitude of the respondents to aid and aid conditionalities.

The single biggest number of the responses – 31.7 per cent – was that Kenya should manage its resources well and stop relying on aid; while the second slot was taken by the response that conditionalities must stop since they interfere with decision making and that there should be a fairer aid negotiation regime. These responses point out the general feeling that conditionalities should be a thing of the past for the various reasons given and that in deed the country can manage without donor funding if only it manages its own resources better. The results to this question are presented herein below.

Figure 4.7: Final Comments



Source: Author Survey, 2007

Other comments given were: that effective policies cannot arise from conditionalities; that Kenya should reject conditionalities that interfere with independent decision making; that political conditionalities such as fighting terrorism are not beneficial to the country; that Kenya should enjoy autonomy in policy making to benefit Kenyans; and that aid should be freed from conditionalities. Further, the respondents suggested: that donors should harmonise procedures to avoid repetitive processes; that there was need to improve relationships between donors and GOK; there is need to educate the public on what conditionalities entail and that conditionalities are not an imposition on Kenyans and are beneficial to Kenyans.

The key informants interviewed tended to agree with the responses given to this question in regard to some of the key issues raised. The optimism that Kenya could handle its affairs without relying on donor funds if it managed its resources well was largely shared as was the view that the country's policy making was not as highly influenced by donor conditionalities as other more donor reliant countries such as Uganda and Burkina Faso. According to one key respondent: "[T]he interest in funding the Kenya Government may be more strategic than a matter of disbursing funds for projects since Kenya has shown it can survive without ODA."¹⁵

4.5 Conclusion

This chapter has presented the findings in relation to the final specific objective of this study using the results of the survey and the key informant interviews. The chapter has reinforced the finding that in deed conditionalities led to specific policy outcomes during

¹⁵ Author Interview, KII 4 DN, 8/8/07

the period under review. It has further established that some policies emanating from conditionalities were beneficial to the Kenyan people principally because through those policies watchdog institutions including the Kenya Anti-Corruption Commission [KACC] and the Kenya National Commission on Human Rights [KNCHR] were established and the governance situation including the enjoyment of human rights had improved.

The chapter further analysed the relationship between conditionalities and state sovereignty. It has relayed the finding that in deed foreign aid conditionalities undermined decision making roles of the state during the period under review. Finally, the chapter has relayed the comments of the respondents who largely felt that Kenya should manage its resources well so as to stop dependency on foreign aid and this should make the state more autonomous in policy decision making. In any case, the opinion was expressed strongly that the aid negotiation framework needs to be altered to enhance benefits of aid to the country. The following chapter summarises the major conclusions of the study and presents the study's recommendations.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This study aimed to establish the influence of foreign aid conditionalities on domestic policy decision making using Kenya as a case study. The three previous chapters presented findings on the various research questions and specific objectives of the study. By using different methods of study, including survey, key informant interviews and case studies and applying triangulation, the study reached various conclusions in relation to its objectives.

The current chapter presents a summary of the key findings and conclusions as well as recommendations of the study. It begins by giving a summary of the key findings of the study; then proceeds to outline the conclusions and recommendations. Finally, the chapter presents suggestions on areas for further study on the issue of foreign aid.

5.1.1 Summary

The key findings are summarised as follows:

Aid conditionalities guided policy formulation and led to policy outcomes

The study established that aid conditionalities both guided policy formulation and led to policy outcomes in a number of priority areas. Concrete examples were proffered to support this finding. In certain policy areas, the proposed policy prescriptions were not carried to their logical conclusions hence did not result in policies. The EPSRC case, for

instance, demonstrated that in deed some policy actions such as the privatisation of the Kenya Tea Development Authority [KTDA] resulted from donor conditionalities. What the study was unable to establish was whether or not some of the conditionalities were themselves priorities set by GOK. Some of the key informants had expressed the view that what is offered as conditionalities are in fact GOK policies and that conditionalities simply expedite GOK policy making. However, there was no evidence to support this view.

Institutions mandated with aid management play a prefecture role in policy making and implementation

This study has demonstrated that the institutions that are in charge of aid management play a prefecture role in the countries that receive aid. This includes the multilateral institutions. These institutions not only preside over policy decision making but also tend to be involved in the implementation and monitoring of policy actions. The exercise of this role means, for instance, that GOK institutions are answerable to field officers of these institutions for certain policy actions. This raises questions about the independence of the Kenyan state apparatus in decision making.

GOK weak in aid conditionality negotiation

The study established that the negotiation of aid is oftentimes a one-sided affair with donor representatives enjoying wide leverage over GOK officials. It was established that in many situations, the GOK bureaucrats negotiating aid and aid conditionalities are left to their own devices since there are no policies that guide negotiation of conditionalities. Also, the performance of such officials is based on the amounts of money they are able to

mobilise for GOK programmes. Aid contracts are usually written by donors and simply sent to GOK officials for perusal and signature. Even though the AG is by law required to scrutinise all contract documents, the leverage enjoyed by the donors and the political pressure exerted on GOK officials mean that the AG might not be able to exercise the full authority of that office to safeguard the national interest. In fact, there are cases where part of the conditionality is that the AG gives already pre-determined legal opinions on policy formulation in regard to legal requirements.

Aid was tied during the period under review

The tying of aid has been an issue of discussion in the development discourse for many years with groups such as the DAC claiming to have significantly untied aid. In Kenya, the agenda took form after the Consultative Group [CG] meeting of November 2003 when GOK and donors agreed on a framework for Harmonisation, Alignment and Coordination [HAC] of aid in line with the Paris Declaration of 2005. However, evidence shows that even with this agenda, aid continues to be tied to aspects such as provision of technical expertise and purchase of goods and services from the aid giving country. Tying of aid, as many of the respondents noted, denies the country the opportunity to determine the priority areas in which to profitably put aid resources. In addition to this, many donors have their areas of sectoral priority which form the basis of their negotiations with GOK. This, apart from restricting GOK's prioritisation on expenditure, also leaves certain areas of priority underserved in as far as resource allocation is concerned.

The issue of capacity and technical expertise

Provision of technical expertise by donors is pegged on the premise that GOK does not have sufficient capacity in certain areas of resource management. It is mainly justified on the basis that aid resources should be managed well to attain the objectives of development projects. However, there is a lot of scepticism on this. The respondents were able to differentiate between “supply driven” expertise and “demand driven” expertise. Genuine expertise is demand driven. Both the GOK officials and the donor representatives confirmed that a big proportion of the expertise acquired by the country during the review period was supply driven. In fact, supply of expertise is more or less a constant demand/requirement by providers of aid. The reality is that the issue of technical expertise has been elevated into a career and is therefore an area of immense self interest by the aid bureaucracy. All accounts point to overrated and overpaid individuals whose skills may not be as rare in the civil service as claimed. This means a good percentage of the grants eventually got ploughed back into the country providing aid. Apart from ploughing back resources to the aid providing country, this also demoralised civil servants who work with these experts. Finally, the aid agencies were prepared to ignore the laid down procedures for clearance and assignation of work permits to the experts.

Government policy initiative and direction lacking

It has often been claimed that Kenya has well thought out development blueprints that are never implemented as intended. Throughout the research exercise, the question of whether or not some of the conditions were in fact necessary reforms that GOK's

machinery had identified kept arising. Some conditions such as those involving the creation of a single audit office [now Kenya National Audit Office – KENAO] are indeed issues that have been in public discourse since the early 1990s. The fact that such reforms were never implemented or even given serious consideration by those in power is a serious indictment on the government’s reform initiative. It could imply one of two things: either initiative is lacking on the part of government and therefore policy options are not outlined for consideration, or that policies are crafted but never implemented because there are those with heavy stakes in the status quo and who are able to block reform initiatives. Conditionalities in this case serve the purpose of forcing policy makers to consider these policy areas. This in turn denies such policies the legitimacy they may acquire if they are seen to be “home grown”.

Policies on conditionality lacking

GOK is at the moment preparing a draft policy on foreign aid. This is a welcome initiative that should have been considered long ago. It is worrying, however, that this is once again a donor inspired initiative. Nonetheless, the draft policy must emphasise the area of conditionalities to provide clarity on what is acceptable and what is not acceptable to the country. The lacuna on conditionality policies has left bureaucrats a big leeway to determine on their own accord what conditionality to accept and which ones to reject. Since negotiation of aid takes place within an unequal platform with the donors having a greater say, it is most likely that GOK officials are constrained to accept every other condition that is placed their way. This is especially so considering that the bureaucrats

are many times concerned with their own performance which is measured by the amount of money they are able to feed into government budgeting and development priorities.

Conditionalities inimical to independent decision making

The function of a country's state machinery is to make decisions and implement them on behalf of the citizenry. A state should therefore act to preserve its independence to make decisions that are critical to the lives of its citizens. Conditionalities make the state subservient to other interests and have the effect of de-legitimising certain decisions in the consideration of the public. The Kenyan experience shows that some major decisions such as what state owned enterprises to privatise and when, what level of staffing to maintain in the civil service are made by aid agencies through conditionalities. The evidence shows that the decisions over which state enterprises to privatise could be made with the interest of foreign firms in mind. The promise of better and efficient service delivery is a mere illusion that many times is not actualised once the enterprises have been sold off.

Lack of data on foreign aid at the ERD

Even though not a critical part of the study, the researcher found the unavailability of data at the ERD, the institution in charge of aid administration, disconcerting. Such data is not only useful for researchers and other curious reviewers, but also to the ERD department itself and other responsible ministries including the Ministry of Planning. This reflects negatively on the ability of GOK to plan on aid resources and development generally.

5.1.2 Conclusions

In response to the research questions and hypotheses, this study reached three important conclusions as follows:

That foreign aid conditionalities influence decision making to a large extent in aid receiving countries

The Kenyan case is a testimony that aid conditionalities influence decision making to a large extent in ARCs. The study has demonstrated, using a mix of survey and key informant interviews as well as Case Studies that many foreign aid conditionalities led to policy decision by the country during the period under review. Of those interviewed, 69 per cent confirmed that aid conditionalities influenced policy making “to a large extent”.

That the institutions mandated with aid management play a prefecture role in policy making and implementation over governmental institutions in Kenya

In the EPSRC Case Study, it was confirmed that GOK officials were variously required to report to World Bank “Field Officers”. This means that these officers play a prefecture role in regard to GOK officials. Moreover, it the evidence confirms that in many cases reporting to the field officers was given priority over reporting to GOK institutions such as Parliament. In some cases, Parliament reacted by rejecting certain policy proposals.

That a number of key policy decisions made by GOK during the review period can be traced to donor conditionalities

Finally, the study was able to demonstrate the fact that some conditionalities led to policy outcomes during the period under review. Such policies included privatisation, for example, of the Kenya Tea Development Authority [KTDA], proposals for enactment of

the Public Procurement and Disposal Act, and formation of the Public Procurement Appeals Board, among others.

5.1.3 Recommendations

The recommendations given here are a result of the researcher's own analysis and observations, as well as the views expressed by those who took part in the study as respondents.

Data availability at ERD

For purposes of planning on external resources and even tracking use of resources and public debt, the ERD must put in place proper mechanisms of collecting data on foreign aid. Such data should be available to the public since, like Government's own resources, the public should have access to information on development.

Policies on conditionalities

Negotiations on aid conditionalities should be embedded on certain well defined and understood guidelines that specify what GOK should accept and what is inimical to the national interest. There already exists a draft policy on foreign aid resources. This policy must address the issue of conditionality expressly. The policy should also deal expressly with the twin issues of tied aid and requirement of technical expertise. The conditions under which it is necessary to procure technical expertise and the procedures for the same must be clearly defined. This will, apart from making light the burden on those whose work is to negotiate aid, also make conditionalities less intrusive on the sovereignty of

the nation. The option of lending from commercial sources, though expensive, is available to GOK. However, this option can only be exercised if the politicians and bureaucrats managing the Kenyan state are ready and have the vision to use the resources for the benefit of the country's citizens and not to maintain their networks of patronage that drain national resources.

GOK and reform initiatives

Undertaking reforms should be the province of the state machinery and the necessary political leadership. Efforts should be made to ensure that where reforms are found to be necessary and in line with the public good, those reforms should not be seen to be initiated through conditions, a fact that tends to deny them legitimacy in the eyes of the public. Political leadership need to be exercised to deal with vested interests that might be inimical to reforms. Kenya can only assert its sovereignty if and when it is able to on its own accord formulate and implement policies that will uplift the living standards of its people.

Management of resources

The optimism expressed by many of those interviewed in this study is that GOK will in the long run be able to sustain itself without aid. Of course, this is an optimistic view given that a bigger percentage of the country's development budget is still largely funded by external sources. However, the fact that GOK no longer factors in foreign aid receipts as part of the country's annual budget is encouraging and if taken seriously, may in deed prove to be the first step toward self reliance.

5.1.4 Suggestions for further research

The area of aid, aid conditionality and their relationship with policy decision making is a new research frontier. In order to strengthen knowledge dissemination especially to the wider public there is need to conduct further studies in the following areas: public perceptions on aid conditionality and policy formulation; loopholes in policy making and implementation by the Kenyan state that necessitate conditionalities; the impact of conditionality led policies on development; and the impact of conditionality led policies on political processes.

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ANNEXES

ANNEX 1: SURVEY QUESTIONNAIRE FOR FOREIGN AID AGENCIES

UNIVERSITY OF NAIROBI

INSTITUTE OF DIPLOMACY AND INTERNATIONAL STUDIES [IDIS]

THE INFLUENCE OF FOREIGN AID CONDITIONALITIES ON DOMESTIC POLICY MAKING: A CASE STUDY OF POLICY MAKING IN KENYA, 1995 – 2005

SURVEY QUESTIONNAIRE FOR FOREIGN AID AGENCIES

BACKGROUND INFORMATION

The purpose of this study is to analyse the relationship between foreign aid conditionalities and policy decisions in Kenya. The study seeks to achieve the following specific objectives:

1. To document, describe and analyse trends in foreign aid receipt by GOK between 1995 and 2005;
2. To establish, document and analyse donor conditionalities tied to foreign aid received by GOK between 1995 and 2005;
3. To analyse and describe the policy implications of specific donor conditionalities; and
4. To analyse and describe the extent to which donor conditionalities have impacted on policy decisions taken by the GOK between 1995 and 2005.

RESPONDENT BIODATA

NAME [OPTIONAL]	ORGANISATION/INSTITUTION
POSITION/DESIGNATION	
DATE/TIME OF INTERVIEW	QUESTIONNAIRE NUMBER

SECTION ONE: CHARACTER AND TRENDS IN FOREIGN AID RECEIPT BY GOK

1. What amounts in foreign aid did your institution give Kenya every year between 1995 and 2005?

YEAR	AMOUNT GIVEN	YEAR	AMOUNT GIVEN
		2000	
1995		2001	
1996		2002	
1997		2003	
1998		2004	
1999		2005	

2. What was the character of the aid given during this period?

	Yes	No
Was it "tied" aid?	[1]	[2]
Did it have a grant element?	[1]	[2]
Did it have any conditionalities?	[1]	[2]
Did it require provision of technical expertise to Kenya?	[1]	[2]
Was the aid concessional?	[1]	[2]

3. Describe the concessionality of the aid generally in terms of the following:

Grant element	
Interest	

Maturity period	
-----------------	--

4. What determined the amount of foreign aid provided to Kenya by your institution during the period under review?

SECTION ONE NOTES

SECTION TWO: CONDITIONALITIES TIED TO FOREIGN AID

5. What conditionalities did your institution/Government tie to the aid received by GOK between 1995 and 2005?

YEAR	CONDITIONALITIES
1995	
1996	
1997	
1998	
1999	
2000	
2001	
2002	
2003	
2004	
2005	

6. What was the rationale behind the conditionalities [at most three conditionalities]?

CONDITIONALITY	RATIONALE
[1]	
[2]	
[3]	

7. Were these conditionalities agreed between yourselves and GOK?

Yes [1]
No [2]

8. Which among the following best describes the attitude of GOK officials towards foreign aid conditionalities?

They regard them as:

Necessary evil – to be accepted in order to facilitate access to aid but with no commitment to adherence or implementation	[1]
Important policy directions – negotiated and accepted to guide policy formulation with clear commitment to adhere or implement	[2]
None of the above	[3]
Don't know/Can't say	[4]

9. What, in your opinion, was the level of adherence to conditionalities by GOK during the period under review?

Very High	[1]
High	[2]
Neither High nor not High	[3]
Low	[4]
Very Low	[5]

10. What were the consequences of non adherence to aid conditionalities during the period under review?

11. Kindly give one case to explain your answer above

12. What are your policies, if any, on conditionalities?

13. Does Kenya adhere to all your conditionalities?

Yes	[1]
No	[2]
Can't tell	[3]

14. Are conditionalities generally negotiated between GOK and yourselves?

Yes	[1]
No	[2]
Can't tell	[3]

SECTION TWO NOTES

**SECTION THREE: POLICY IMPLICATIONS OF FOREIGN AID
CONDITIONALITIES**

15. Would you say foreign aid conditionalities led to specific policy outcomes during the period under review?

- Yes [1]
- No [2]
- Can't tell/Don't know [3]

16. If yes to Q 15 above, kindly list at most three policies that were influenced by foreign aid conditionalities during the period under review

POLICY	RELEVANT CONDITIONALITY	NATURE OF INFLUENCE

17. Would you say foreign aid conditionalities guided the process of formulating domestic policies?

- Yes [1]
- No [2]
- Can't tell/Don't know [3]

18. Please explain your answer to Q 17 above

19. Would you say foreign aid conditionalities undermined decision making roles of the Kenyan state apparatus?

- Yes [1]
- No [2]
- Can't tell/Don't know [3]

20. Please explain your answer to Q 19 above

21. Would you say foreign aid conditionalities led to policies favourable to foreign governments and aid agencies?

- Yes [1]
No [2]
Can't tell/Don't know [3]

22. Please explain your answer to Q 21 above

23. To what extent generally did aid conditionalities influence decision making in Kenya during the period under review?

Very Large Extent	[1]
Large Extent	[2]
Neither Large nor not Large	[3]
Limited Extent	[4]
Very Limited Extent	[5]

24. Would you say, overall, that the influence of conditionalities on domestic policies was ...?

Largely Positive	[1]
Positive	[2]
Neither Positive nor Negative	[3]
Negative	[4]
Largely Negative	[5]

25. Would you say policies that derive from foreign aid conditionalities serve the policy needs of Kenyans?

- Yes [1]
- No [2]
- Can't tell [3]

26. Kindly explain your answer to the question above

27. How would you rate Kenya's adherence to policies that are driven by conditionalities?

Very High	[1]
High	[2]
Neither High nor not High	[3]
Low	[4]
Very Low	[5]

28. What are the implications of such policies on state sovereignty?

29. What are your final comments on the issue of foreign aid conditionalities and domestic policy making?

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A CASE STUDY OF POLICY MAKING IN KENYA, 1995 – 2005

SURVEY QUESTIONNAIRE FOR GOK OFFICIALS

BACKGROUND INFORMATION

The purpose of this study is to analyse the relationship between foreign aid conditionalities and policy decisions in Kenya. The study seeks to achieve the following specific objectives:

1. To document, describe and analyse trends in foreign aid receipt by GOK between 1995 and 2005;
2. To establish, document and analyse donor conditionalities tied to foreign aid received by GOK between 1995 and 2005;
3. To analyse and describe the policy implications of specific donor conditionalities; and
4. To analyse and describe the extent to which donor conditionalities have impacted on policy decisions taken by the GOK between 1995 and 2005.

RESPONDENT BIODATA

NAME [OPTIONAL]	MINISTRY/DEPARTMENT
POSITION/DESIGNATION	
DATE/TIME OF INTERVIEW	QUESTIONNAIRE NUMBER

SECTION ONE: CHARACTER AND TRENDS IN FOREIGN AID RECEIPT BY GOK

30. What amounts in foreign aid did Kenya receive every year between 1995 and 2005 from bilateral and multilateral sources?

YEAR	AMOUNT GIVEN	YEAR	AMOUNT GIVEN
		2000	
1995		2001	
1996		2002	
1997		2003	
1998		2004	
1999		2005	

31. What was the character of the aid given during this period?

	Yes	No
Was it "tied" aid?	[1]	[2]
Did it have a grant element?	[1]	[2]
Did it have any conditionalities?	[1]	[2]
Did it require provision of technical expertise to Kenya?	[1]	[2]
Was the aid concessional?	[1]	[2]

32. Describe the concessionality of the aid generally in terms of the following:

Grant element	
Interest	

SECTION TWO: CONDITIONALITIES TIED TO FOREIGN AID

34. What conditionalities did the different aid agencies tie to the aid received by GOK between 1995 and 2005?

YEAR	CONDITIONALITIES
1995	
1996	
1997	
1998	
1999	
2000	
2001	
2002	
2003	
2004	
2005	

35. What was the rationale behind the conditionalities [at most three conditionalities]?

CONDITIONALITY	RATIONALE
[1]	
[2]	
[3]	

36. Were these conditionalities agreed between yourselves and the aid agencies?

Yes [1]
No [2]

37. Which among the following best describes your attitude [attitudes of GOK officials] towards foreign aid conditionalities?

We regard them as:

Necessary evil – to be accepted in order to facilitate access to aid but with no commitment to adherence or implementation	[1]
Important policy directions – negotiated and accepted to guide policy formulation with clear commitment to adhere or implement	[2]
None of the above	[3]
Don't know/Can't say	[4]

38. What, in your opinion, was the level of adherence to conditionalities by GOK during the period under review?

Very High	[1]
High	[2]
Neither High nor not High	[3]
Low	[4]
Very Low	[5]

39. What were the consequences of non adherence to aid conditionalities during the period under review?

40. Kindly give one case to explain your answer above

41. What are GOK policies, if any, on foreign aid conditionalities?

42. Does Kenya adhere to all foreign aid conditionalities?

- Yes [1]
- No [2]
- Can't tell [3]

43. Are conditionalities generally negotiated between GOK and donor agencies?

- Yes [1]
- No [2]
- Can't tell [3]

SECTION TWO NOTES

**SECTION THREE: POLICY IMPLICATIONS OF FOREIGN AID
CONDITIONALITIES**

44. Would you say foreign aid conditionalities led to specific policy outcomes during the period under review?

- Yes [1]
- No [2]
- Can't tell/Don't know [3]

45. If yes to Q 15 above, kindly list at most three policies that were influenced by foreign aid conditionalities during the period under review

POLICY	RELEVANT CONDITIONALITY	NATURE OF INFLUENCE

46. Would you say foreign aid conditionalities guided the process of formulating domestic policies?

- Yes [1]
- No [2]
- Can't tell/Don't know [3]

47. Please explain your answer to Q 17 above

48. Would you say foreign aid conditionalities undermined decision making roles of the Kenyan state apparatus?

- Yes [1]
- No [2]
- Can't tell/Don't know [3]

49. Please explain your answer to Q 19 above

50. Would you say foreign aid conditionalities led to policies favourable to foreign governments and aid agencies?

- Yes [1]
No [2]
Can't tell/Don't know [3]

51. Please explain your answer to Q 21 above

52. To what extent generally did aid conditionalities influence decision making in Kenya during the period under review?

Very Large Extent	[1]
Large Extent	[2]
Neither Large nor not Large	[3]
Limited Extent	[4]
Very Limited Extent	[5]

53. Would you say, overall, that the influence of conditionalities on domestic policies was ...?

Largely Positive	[1]
Positive	[2]
Neither Positive nor Negative	[3]
Negative	[4]
Largely Negative	[5]

54. Would you say policies that derive from foreign aid conditionalities serve the policy needs of Kenyans?

- Yes [1]
- No [2]
- Can't tell [3]

55. Kindly explain your answer to the question above

56. How would you rate Kenya's adherence to policies derived from foreign aid conditionalities?

Very High	[1]
High	[2]
Neither High nor not High	[3]
Low	[4]
Very Low	[5]

57. What are the implications of such policies on state sovereignty?

58. What are your final comments on the issue of foreign aid conditionalities and domestic policy making?

ANNEX 3: KEY INFORMANT CHECKLIST FOR GOVERNMENT OFFICIALS

ODA RECEIPT TRENDS

1. What amounts did the GOK receive in foreign aid every year between 1995 and 2005?
2. Kindly provide a breakdown of amounts of foreign aid receipt during the period under review
3. Were there major fluctuations in foreign aid receipt during this period?
4. What explains the fluctuations in foreign aid receipt during the period?
5. To what purpose were the funds channelled?
6. What determines funding relationships between two states? [Why would state A fund state B and not state C, for example?]

CONDITIONALITIES TIED TO FOREIGN AID

7. What donor conditionalities were tied to foreign aid received by GOK between 1995 and 2005?
8. Were there different conditionalities imposed by the different AGCs?
9. What was the level of adherence to conditionalities by GOK during the period under review?
10. What is the rationale behind donor conditionalities? [Probe for specific conditionalities]
11. What is the attitude of GOK towards donor conditionalities?
12. Do we have a policy on conditionalities in Kenya [probe for other African countries]
13. What are the highlights of the policy?
14. Does Kenya adhere to or attempt to adhere to all conditionalities?
15. What are the consequences of non-adherence? [Illustrate, if possible, with concrete examples]
16. Are conditionalities negotiated between GOK and funders?
17. Are conditionalities simply dictated to GOK?

POLICY IMPLICATIONS OF AID CONDITIONALITIES

18. What were the policy implications of the donor conditionalities tied to foreign aid received by GOK between 1995 and 2005?
19. What are the implications of conditionalities generally?
20. Did donor conditionalities lead to specific policy measures by GOK between 1995 and 2005?
21. Kindly list and describe some of the policies that were affected by donor conditionalities during the period under review
22. When policies are thus derived from donor conditionalities, do they serve the interests of Kenyans?
23. What is the feeling by Government officials and politicians generally about such policies?
24. Do such policies dent the country's sovereignty and independence?
25. What does this mean to the relationship between Kenya and AGS?
26. Are the policies usually implemented?

ANNEX 3: KEY INFORMANT CHECKLIST FOR FOREIGN AID AGENCIES

TRENDS OF ODA RECEIPT

1. What amounts in ODA did your institution give Kenya every year between 1995 and 2005?
2. Kindly provide a breakdown of these amounts
3. Were there major fluctuations in ODA provided to GOK during this period?
4. What explains the fluctuations?
5. What generally determines the amount of ODA provided to a country [in this case Kenya]?
6. To what ends were the funds channelled?
7. What determines funding relationships between two states? [Why would state A fund state B and not state C, for example?]

CONDITIONALITIES TIED TO AID

8. What conditionalities did your institution/Government tie to the ODA received by GOK between 1995 and 2005?
9. What determined these conditionalities?
10. Were these conditionalities agreed between yourselves and GOK?
11. What is the attitude of GOK officials towards conditionalities?
12. What was the level of adherence to conditionalities by GOK during the period under review?
13. What happens when GOK does not adhere to the conditionalities?
14. What is the rationale behind donor conditionalities? [Probe for specific donor countries]
15. What are your policies, if any, on conditionalities? [Probe for specific donor countries]
16. If yes, what are the highlights of the policy?
17. Does Kenya adhere to or attempt to adhere to all your conditionalities?
18. Are conditionalities negotiated between GOK and yourselves?

POLICY IMPLICATIONS OF AID CONDITIONALITIES

19. What are the policy implications of the conditionalities?
20. What are the implications of conditionalities generally [on issues such as sovereignty?]
21. Did donor conditionalities lead to specific policy measures by GOK between 1995 and 2005?
22. Kindly list the policies that were affected by donor conditionalities during the period under review
23. When policies are thus derived from donor conditionalities, do they serve the interests of Kenyans or do they mostly serve the interests of donor countries?
24. What is the feeling generally about such policies?
25. What does this mean to the relationship between Kenya and AGS?
26. Are the policies usually implemented?
27. How would you rate the rate of adherence to conditionality motivated policies?