

**UNIVERSITY OF NAIROBI**  
**INSTITUTE OF DIPLOMACY AND INTERNATIONAL STUDIES**

**THE ROLE OF FOREIGN AID IN SUB-SAHARAN AFRICA:  
A CASE STUDY OF KENYA**

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DEGREE OF MASTERS OF ARTS IN DIPLOMACY**

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## **Declaration**

I, Anne Nyamwinga Njoroge hereby declare that this research project is my original work and has not been presented for a degree in any other University.

Signed..... Date.....

Anne Nyamwinga Njoroge

This project has been submitted for examination with my approval as University of Nairobi  
Supervisor;

Signed..... Date.....

Dr Kizito Sabala

## **Dedication**

This thesis is dedicated to someone who inspired me at the age of ten years to read and to keep reading no matter the challenges in academia. I would also like to dedicate this thesis to my late father whose tireless encouragement have helped me come this far.

## **Acknowledgement**

I am sincerely grateful to God for seeing me through the entire program and the research process. I am thankful to the University of Nairobi staff; Amb. Prof. Maria Nzomo, Dr Maluki, Dr Anyona, Mr Nguru, and all the staff in the Institute of Diplomacy and International Studies. Thank you for all your support and for the knowledge that you have diligently imparted to me during the course of my program. I extend special thanks to my supervisor Dr Kizito Sabala for his encouragement and valuable comments during my program and for the guidance he gave during the process of writing my thesis. I appreciate the encouragement given to me by my family, friends, colleagues and to all those who read parts of this thesis and gave their valuable comments. Special thanks to my mother Peninah Wanjiru Ngugi without whose unfailing support and prayers I would not have completed my thesis.

## **Abstract**

This thesis discusses the role of foreign aid in Sub Saharan Africa. Foreign aid or Official development aid as a came up in 1945 and was adopted by the United Nations as a measure geared towards promotion of social progress and better standards of life. Foreign aid is of particular importance to Africa's human development programme. The hypothesis states that foreign aid has had a positive impact on Sub-Saharan Africa's development Agenda and that poor policy environment in Sub-Saharan Africa has been a cause of ineffective application of foreign aid. The thesis uses Kenya as a case study and notes that foreign aid to Kenya is policy based with donors supporting Kenya's development strategies which are tied around sectoral reforms and the Vision 2030. The economic rationale for aid is based on the claim that the macroeconomic contribution of aid to recipient countries is positive through the promotion of improved economic policies and resource allocation. Africa is aid dependent, not only in terms of the quantity of aid but in terms of the institutional mechanisms of this aid flow. Foreign aid has caused all manner of debate in the study of international relations. There are scholars who are for foreign aid and those who are against foreign aid. Pro-aid scholars feel that aid helps developing countries' economies and also helps improve human development especially in countries with sound political and economic policies. Scholars against aid state that aid creates a "moral hazard" problem (Samaritans dilemma), meaning that governments can spend money without a firm budget constraint, confident that donors will bail them out of any difficulty. Donors, who want to help (or are committed to send money for other reasons), may be forced to oblige. This group of scholars also feel that by paying big salary premiums, large donor projects can "poach" good people away from government, weakening its institutions and that recipients governments overstretch themselves and in situations where focusing on priorities is important, recipients will often prefer to expand their operations to cover whatever projects donors wish to fund, especially since such funding often creates perks for officials.

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## Abbreviations

ABE	- ADULT BASIC EDUCATION
ABET	- ADULT BASIC EDUCATION AND TRAINING
ACP	- AFRICAN CARIBBEAN AND PACIFIC
AEG	- AID EFFECTIVENESS GROUP
AfDB	- AFRICAN DEVELOPMENT BANK
AIDS	- ACQUIRED IMMUNE DEFICIENCY SYNDROME
ALR	- ADULT LITERACY INDEX
ATPC	- AFRICAN TRADE POLICY CENTRE
AUC	- AFRICAN UNION COMMISSION
CAAD	- COMPREHENSIVE AFRICAN AGRICULTURE DEVELOPMENT PROGRAMME
CBOs	-COMMUNITY BASED ORGANIZATIONS
CIDA	- CANADIAN INTERNATIONAL DEVELOPMENT ASSESSMENT
CGEI	-GROSS ENROLLMENT INDEX
CRISE	- CENTRE FOR RESEARCH ON EQUALITY & SOCIAL EXCLUSION
CPP	- CORE POVERTY PROGRAMMES
CPIA	- COUNTRY POLICY AND INSTITUTIONAL ASSESSMENT
CSP	- COUNTRY STRATEGY PAPER
DA	- DEVELOPMENT ASSISTANCE
DAC	- DEVELOPMENT ASSISTANCE COMMITTEE
DANIDA	- DANISH INTERNATIONAL DEVELOPMENT AGENCY
DCG	- DONOR COORDINATION GROUP
DFID	- DEPARTMENT FOR INTERNATIONAL DEVELOPMENT
DP	- DEVELOPMENT PARTNER
DPF	- DEVELOPMENT PARTNERSHIP FORUM
EARC	- EAST AFRICAN RESOURCE CENTRE
EEC	- EUROPEAN ECONOMIC COMMISSION
EDA	- EFFECTIVE DEVELOPMENT ASSISTANCE
ERS	- ECONOMIC RECOVERY STRATEGY
EU	- EUROPEAN UNION
FDI	- FOREIGN DIRECT INVESTMENT
GDF	- GLOBAL DEVELOPMENT FINANCE
GDP	- GROSS DOMESTIC PRODUCT
GEI	- GROSS EDUCATION INDEX
GNI	- GROSS NATIONAL INCOME
GNP	- GROSS NATIONAL PRODUCT
GOK	- GOVERNMENT OF KENYA
GPS	- GLOBAL POSITIONING SATELLITES
HAC	- HARMONIZATION ALIGNMENT AND COORDINATION GROUP
HDI	- HUMAN DEVELOPMENT INDEX
HIV	- HUMAN IMMUNODIFICIENCY VIRUS
IADB	- INTER-AMERICAN BANK
IMF	- INTERNATIONAL MONETARY FUND

IFRC	- INTERNATIONAL FEDERATION OF RED CROSS
KESSP	- KENYA EDUCATION SECTOR SUPPORT PROGRAMME
LA	- LOCAL AUTHORITIES
LDC	- LESS DEVELOPED COUNTRIES
LE	- LIFE EXPECTANCY
MCC	- MILLENIUM CHALLENGE CORPORATION
MDC	- MORE DEVELOPED COUNTRIES
MDG	- MILLENIUM DEVELOPMENT GOALS
MEPI	- MEDICAL EDUCATION PARTNERSHIP INITIATIVE
MTEF	- MEDIUM TERM EXPENDITURE FRAMEWORK
NDC	- NATIONAL DEMOCRATIC CONGRESS
NEPAD	- NEW PARTNERSHIP FOR AFRICAS DEVELOPMENT
NER	- NET ENROLLMENT RATIO
NGO	- NON GOVERNMENTAL ORGANIZATION
NIMES	- NATIONAL INTEGRATED MONITORING SYSTEM
ODA	- OFFICIAL DEVELOPMENT ASSISTANCE
OECD	- ORGANIZATION OF ECONOMIC COOPERATION AND DEVELOPMENT
OGAC	- OFFICE OF THE U.S. GLOBAL AIDS COORDINATOR
OXFAM	- OXFORD COMMITTEE FOR FAMINE RELIEF
PPP	- PURCHASING POWER PARITY
RBA	- REGIONAL BUREAU FOR AFRICA
SAL	- STRUCTURAL ADJUSTMENT LOANS
SDR	- SPECIAL DRAWING RIGHTS
SERP	- SUSTAINABLE ENVIRONMENT AND RESTORATION PROGRAMME
SSA	- SUB SAHARAN AFRICA
SWAPS	- SECTOR WIDE APPROACHES
SWG <sub>s</sub>	- SECTOR WIDE GROUPS
USAID	- UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
UNESCO	- UNITED NATIONS EDUCATIONAL SCIENTIFIC AND CULTURAL ORGANIZATION
UNFCCC	- UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
UNICEF	- UNITED NATIONS CHILDRENS FUND
UNDP	- UNITED NATIONS DEVELOPMENT PROGRAMME
UNEP	- UNITED NATIONS ENVIRONMENT PROGRAMME
US	- UNITED STATES
WDI	- WORLD DEVELOPMENT INDICATORS
WTO	- WORLD TRADE ORGANIZATION

# Chapter One

## Introduction and Background to the Study

### 1.1 Introduction

This is the introductory chapter of this research. It dwells on the general introduction of the research; it also gives a brief on the research problem, research objectives, rationale of the study, research questions, theoretical framework, methodologies applied, recommendations and chapter summary.

### 1.2 Background to the Study

Since 1945, the role of foreign aid has become highly significant in international relations. 1945 was the end of the Second World War, a time that saw the United States attempt to help Europe reconstruct as well as extend US foreign policy. The United States through the Marshall Plan hoped to contribute to the revival of a working economy in the World so as to permit the emergence of political and social conditions in which free institutions could exist. This was the onset of what is today known as foreign aid<sup>1</sup>. This study proposes to the multifaceted role and nature played by foreign aid in Sub-Saharan Africa; multifaceted since a country such as the United States of America, according to Subhayu Bandyopadhyay and E. Katrina Vermann<sup>2</sup> by giving Aid hopes to diminish “the threats of communism by helping countries prosper under capitalism”.

The French on the other hand the have their aid directed to its former colonies, whereas Japan, add the scholars is “broadly supportive of Japanese interests in International forums”<sup>3</sup>. However, despite huge amounts of aid to Sub-Saharan Africa countries in Africa are still the

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<sup>1</sup> Jackson Institute For Global Affairs: Measuring The Marshall Plan: Foreign Affairs Archives: From the 1948 Issue

<sup>2</sup> Subhayu Bandyopadhyay and E. Katrina Vermann: Donor Motives for Giving Aid: Vol. 95 Issue 4, p327 Jul/Aug 2013

<sup>3</sup> Op cit 2

poorest in the world. Global Human Development Index (HDI) indicates that the 10 countries that place last in the 2011 HDI are all in sub-Saharan Africa: Guinea, Central African Republic, Sierra Leone, Burkina Faso, Liberia, Chad, Mozambique, Burundi, Niger, and the Democratic Republic of the Congo.<sup>4</sup> This is despite these countries receiving large sums of aid from the 1960s from their former European colonizers. In the late 1960s and early 1970s all African countries were at the same level as the Asian Tigers. However, the Asian Tigers have taken off but African countries south of the Sahara have retarded. According to some scholars<sup>5</sup>, more than a quarter of the countries in sub-Saharan Africa are poorer now than in 1960 with no sign that foreign aid, however substantive, will end poverty. The scholars add that the idea that large donations can remedy poverty has dominated the theory of economic development and the thinking in many international aid agencies and governments since the 1950s. Dambisa Moyo<sup>6</sup> claims that foreign aid has been "an unmitigated political, economic and humanitarian disaster." Moyo writes that although she is not completely against humanitarian aid, she does not believe "charity-based aid" can provide long-term sustainable development for Africa. Her problem is with "government-to-government aid," and funds from large monetary institutions like the World Bank. Moyo says that the \$60 trillion of this aid that has been given in the past 60 years is not working, evident from the fact that the number of Africans who live on less than \$1 day has doubled in the last 20 years. And most foreign government aid, she argues, has been pocketed by corrupt politicians.

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<sup>4</sup> UNDP: Towards a Food Secure Future: Africa Human Development Report (2012)

<sup>5</sup> Daron Acemoglu and James A. Robinson: Why foreign aid fails - and how to really help Africa: (2014)

<sup>6</sup> Dambisa Moyo: Dead Aid: Why Aid is Not Working and How There is Another Way for Africa (2009)

### 1.3 A Case Study of Kenya

This research focuses on Kenya mainly because Kenya is amongst Africa's rapidly developing countries after Nigeria and South Africa with a huge appetite for foreign aid this is according to one scholar who feels that the endemic nature of Africa's dependency on foreign aid seems to support the view that the continent is incapable of an existence free from aid <sup>7</sup> much of the foreign aid received in Kenya is mainly geared towards education, health, and economic infrastructure. The main purpose of using Kenya as the case study is because Kenya has seen substantial foreign investment and significant amounts of development aid, some from Russia, some from China and others from the high developed countries of the United States, France, and the Scandinavian countries<sup>8</sup>. The report adds that between 60 and 70 percent of industry in Kenya is still owned from abroad with China taking an increasingly higher prominent role than the west. Since independence, Kenya has been dependent on foreign aid. The country has undertaken various economic reforms to fit in with donor conditions as well as wishes. However, whether these reforms have in way helped to alleviate poverty and enhance economic development and growth is still not very clear.

While Kenya has not been described as a fragile state by the World Bank, the country exhibits some fragile characteristics such as the high levels of poverty and regional disparities as well as high youth unemployment, which, if not effectively addressed, might pose threats to the country's overall stability<sup>9</sup>. There is need to create economic opportunities for the disadvantaged groups of society, in particular the youth, to avoid conflict and violence in the future. Other factors of fragility include terrorist activities and ethnic tensions compounded with a post-

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<sup>7</sup> Prof Richard Ilorah: Is Africa trapped between foreign aid dependency and failed growth initiatives?: The Acting Director of the School of Economics and Management University Of Limpopo (2008)

<sup>8</sup> Carlos Oya and Nicolas Pons-Vignon: Aid, Development and The State in Africa: Chapter 19 in the Political Economy of Africa, edited by V. Padayachee, London: Routledge :ISBN: 978-0-415-48039-0 (2010)

<sup>9</sup> OECD: Fragile States 2014: Domestic Revenue Mobilization In Fragile States

colonial land allocation that left certain communities feeling dispossessed and created long standing sources of unrest<sup>10</sup>. Kenya receives different types of foreign aid for purposes of this study only three main types of aid are; bilateral aid from one donor country to Kenya, multilateral aid where a group of countries working together give aid to the country as well as Voluntary aid by charities and voluntary organizations like Oxfam. The idea behind foreign aid is to end poverty. Kenya's biggest challenge and indeed that of Sub-Saharan Africa is to generate economic growth which will help eradicate poverty.

Kenya's economy is market based with investments in tourism, trade, agriculture, industry, manufacturing, fisheries as well as mining. Kenya relies heavily on grants and loans from the World Bank, IMF as well as various International aid agencies. Funding provided by the United Kingdom has fallen significantly, while that of multilateral agencies, particularly the World Bank and the European Development Fund, has increased. According to Africa Development Bank Group <sup>11</sup>the Government aims to transform the country into a middle-income country that provides a high quality of life to all citizens by 2030.

The vision is grounded on an economic pillar which aims at economic growth of 10% per annum; a social pillar which seeks just, cohesive and equitable social development in a clean and secured environment; and a political pillar which aims to install an issue-based, people centred, results oriented and accountable political system that respects rule of law and protects the rights and freedoms of every Kenyan. The pillars are anchored on infrastructure development, public sector reform and macroeconomic stability. Kenya's current aid coordination and harmonization architecture was established in 2011. It took into account new developments arising from four high-level meetings on aid effectiveness with the last two being held in Accra, Ghana

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<sup>10</sup> African Development Bank Group: Kenya Country Strategy Paper (2014 -2018)

<sup>11</sup> Africa Development Bank Group: Kenya Strategy Paper :2014 – 2018

(September 2008) and Busan, South Korea (November 2011). EARC (East Africa Resource Centre) participates at all levels of aid coordination and chairs the Development Partner's (DPs) working Group on Education, and co-chairs the AEG (Aid Effectiveness Group) with the National Treasury, which has allowed the Bank to engage in a close dialogue with the GoK and DPs.

EARC also participates in several SWGs, including on roads, water and sanitation, energy, and public finance management. EARC also hosts the Kenya EI Secretariat established in 2013. Foreign aid coordination body is the DPF (Development Partnership Forum) attended by heads of diplomatic missions and aid agencies, and heads of government departments. It meets twice a year to discuss key policy issues, and agrees on a set of deliverables over the subsequent six months. Although Kenya has experienced economic growth over the last decade, it has not been sufficiently inclusive as evidenced by persistent high levels of poverty and regional disparities limited access to basic services, inequality and unemployment, with youth, women and other vulnerable groups particularly hard-hit. This research hopes to give ways in which foreign aid can be applied to promote economic growth by creating sustainable development and therefore bridge the gap between Kenya and the developing World.

#### **1.4 Statement Problem**

Why has Africa south of the Sahara remained behind while the Asian Tigers have moved ahead in development? This research examines the role of foreign aid in Africa south of the Sahara and how Africa can use aid resources available to the continent to aid in development and growth. Secondly, this research examines the opportunities available to Kenya in its quest to achieve sustainable development and economic growth using aid resources. The role of foreign aid in Sub-Saharan Africa goes as far back as the end of the 2<sup>nd</sup> World War when former

colonizers began aiding their former colonies in an attempt to spread their spheres of influence as well as check the expansion of Germany. Britain and France even formed the Commonwealth of Nations. Yet, Sub-Saharan Africa has really never gained from this alliance or extensions of influence.

## **1.5 Objectives of the Research**

The overall objective of this study is to examine the role played by foreign aid in Sub-Saharan Africa towards achieving sustainable development and growth.

### **1.5.1 Specific Objectives**

3.1.1. To examine the role of foreign aid on Sub-Saharan Africa

3.1.2. To examine the role of foreign aid in Kenya

3.1.3. To analyze the opportunities for improving the effectiveness of foreign aid in Kenya

3.1.4. To recommend ways of improving foreign aid effectiveness

## **1.6 Research Questions**

3.2.1. What is the role of foreign aid in Sub-Saharan Africa?

3.2.2. What is the significance/role of foreign aid in Kenya's growth and development agenda?

3.2.3. What are the opportunities for improving the different forms of foreign aid in Kenya?

3.2.4. What are the measures that can be taken to improve foreign aid effectiveness?

## **1.7 Hypotheses**

4.1. Foreign aid has had a positive impact on Sub-Saharan Africa's development Agenda

4.2. Poor policy environment in Sub-Saharan Africa has been a cause of ineffective application of foreign aid



## 1.8 Justification and Significance

### 1.8.1 Academic Justification

The aim of this paper is to discuss the role of Foreign aid or (development assistance) in Sub-Saharan Africa. This research draws together observations and conclusions from the various development studies, political science, international relations and economics written over the years, concerning the role of foreign aid in growth and development in an attempt to clarify whether foreign aid does in any way contribute to growth and development in Sub-Saharan Africa and bases its theory on the works of Craig Burnside and David Dollar<sup>12</sup>. These two scholars argue that aid has a positive impact on growth in developing countries with good fiscal, monetary, and trade policies but has little effect where poor policies abound. The scholars feel that growth of developing economies depends to a large extent on the economic policies of those particular countries.

Many authors have also argued that aid has failed<sup>13</sup>. Secondly, foreign aid has not raised the growth rates of the poor in these countries<sup>14</sup> as expected. This research examines growth in context to foreign aid – this study argues that foreign aid can aid growth but only in a sound policy environment. While there are weaknesses in this theory, the strengths outweigh the weaknesses.

According to Steven Radlet<sup>15</sup> foreign assistance promotes a more prosperous and democratic world. This scholar adds that at the forefront of US foreign policy is the principle of helping the poorest people of the world, a principle shared by most donors worldwide. Relieving human suffering; providing economic and educational opportunities; supporting human rights;

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<sup>12</sup> Craig Burnside and David Dollar: Aid, Policies, and Growth: The American Economic Review, Vol. 90, No. 4 (2000)

<sup>13</sup> P. Boone: Politics and the Effectiveness of Foreign Aid," in European Economic Review, Vol. 40, No. 2 (1996)

<sup>14</sup> Peter Boone: The Impact of Foreign Aid on Savings and Growth." Working paper, London School of Economics, (1995); Politics and the Effectiveness of Foreign Aid: European Economic Review 40(2) (1996)

<sup>15</sup> Steven Radlet: Senior Fellow, Center for Global Development U.S. Foreign Assistance After September 11th Testimony for the House Committee on International Relations (2004)

and promoting a better and safer world are all goals that have all been at the core of American foreign policy since the founding of the Republic. Putting aside national security, many Americans believe that the growing gap between the rich and poor is morally unacceptable. This research will attempt to show ways of bridging this growing gap between the rich and the poor.

### **1.8.2 Policy Justification**

Why aid other countries? This study proposes that foreign aid is a major determinant of development assistance<sup>16</sup>. One primary justification is that official development assistance is beneficial to the aided country and at least enhances its growth rates and its level of income<sup>17</sup>. From the end of the 2<sup>nd</sup> World War, Sub-Saharan Africa has continued to receive vast volumes of foreign aid. However, this aid has not been applied efficiently. This study adds onto existing studies on foreign aid to Africa in the formulation of ways in which aid can be more beneficial to Africa and specifically to Kenya. By studying policy gaps in aid application identified by other scholars this study contributes a new dimension and even improves on existing ways of governing aid application. This research focuses on what Sub-Saharan Africa needs to do to realize a significantly higher growth potential and sustain high growth taking into consideration the gaps in aid application identified by scholars. According to one scholar<sup>18</sup>, there are two schools of thought in the study based on the reasons why Africa lags behind in development. There is the “externalist” and the “internalist” schools of thought. Externalists blame Africa's woes to factors beyond Africa's control: Western colonialism and imperialism, the effects of the slave trade, racist conspiracy plots, exploitation by avaricious multinational corporations, an unjust international economic system, inadequate flows of foreign aid, and deteriorating terms of

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<sup>16</sup> Bueno de Mesquita, Bruce and Smith, Alastair: Foreign Aid and Policy Concessions,” in *Journal of Conflict Resolution*, Vol. 51, No. 2, (2007)

<sup>17</sup> Alice Sindzingre: *Theoretical Criticisms and Policy Optimism: Assessing the Debates on Foreign Aid*: Working paper no.1 (2012)

<sup>18</sup> George B.N. Ayittey: *Why is Africa in this state: Sustainable Development: Promoting Progress or Perpetuating Poverty?* edited by Julian Morris published by Profile Books, London, August 2002

trade. Internalists, on the other hand, blame the local systems of governance: excessive state intervention and associated corruption of institutions at all levels, from the police and judiciary to the highest branches of government. The writer adds that, African leaders still point fingers at everyone else but themselves. He continues to say that Kenyan President Daniel arap Moi blamed the IMF and various international development agencies for “denying Kenya development funds, thus triggering mass poverty.”<sup>19</sup>

As his country faced economic meltdown in 1999, Robert Mugabe refused to accept any blame: “It is, he said, the fault of greedy Western powers, the IMF, the Asian financial crisis and the drought.”<sup>20</sup> Ayittey adds that in Ghana, the Chairman of Ghana’s ruling NDC, Issifu Ali<sup>21</sup>, claimed that whatever economic crisis the nation is going through has been caused by external factors, claiming that since 1982 the NDC had adopted pragmatic policies for the progress of Ghana but that the adverse macro-economic situation in Ghana was caused by “global economic developments. Jerry Rawlings is quoted to have blamed the west for Africa’s governance failure<sup>22</sup>.

The challenge faced by Sub-Saharan Africa is how to take the economy to the next phase of development using foreign aid resources. This study is an addition to existing work. It answers the question faced by policymakers: if political and macroeconomic stability are maintained, what more needs to be done to accelerate and sustain growth. The research shows that policy makers can use aid resources to accelerate growth and help alleviate poverty. During the 1990s Kenya experienced a major slump which coincided with lack of growth and decline in human

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<sup>19</sup> The Washington Times, June 3, 1999; p.A12

<sup>20</sup> Zimbabwe Independent, April 27, 1999

<sup>21</sup> The Independent, Nov 18, 1999

<sup>22</sup> Panafrican News, Sept 8, 2000

development indicators. This study examines ways of ensuring that the country never again faces such an economic slump again.

## **1.9 Literature Review**

For years now, Africa has received vast volumes of Aid. Hundreds of billions of dollars have been given to African governments. More billions have been lent to these same governments. Tons of food been given to the continent, and swarms of consultants, experts, and administrators have descended to solve Africa's problems. Yet the state of development in Africa is no better today than it was when all this started. Per capita income, for most of Africa, is either stagnant or declining<sup>23</sup>.

The idea that large donations can remedy poverty has dominated the theory of economic development and the thinking in many international aid agencies and governments since the 1950s. And the results have not been very good. Millions have moved out of abject poverty around the world over the past six decades, but that has had little to do with foreign aid. Rather, it is due to economic growth in countries in Asia for instance which has received little aid. The World Bank has calculated that between 1981 and 2010, the number of poor people in the world fell by about 700 million and that in China over the same period, the number of poor people fell by 627 million<sup>24</sup>.

Lowering Interest rates is expected to support Kenya's economic growth according to a World Bank report<sup>25</sup>. The World Bank Group research shows that the government can improve the environment for private sector-led growth by investing more in infrastructure, increasing domestic energy production, removing bottlenecks to doing business and sustaining sound

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<sup>23</sup> James Peron: The Sorry Record of Foreign Aid in Africa African Governments Are Destroying Their Countries with Aid from the West August 01, 2001

<sup>24</sup> Daron Acemoglu and James A. Robinson: Why foreign aid fails - and how to really help Africa: (2014)

<sup>25</sup> The World Bank Group Report: Time for Kenya to Shift Gears to Accelerate Growth and Reduce Poverty: Ed. No. 8 (2013)

monetary and fiscal policies. Structural reforms, including tax and expenditure measures, can also help to improve the business environment and to attract more foreign direct investment (FDI) particularly to expand manufacturing exports – taking advantage of Kenya’s low labor costs and its coastal location.

The government will also need to address poverty by investing in poverty reduction strategies focused on job creation, enhanced productivity of smallholder farms, strengthening cash transfer programs and targeted public spending programs to improve quality of education, water, sanitation and access to electricity for the poor in the rural areas. Improved poverty monitoring is crucial in enabling the government determine which activities have the greatest impact on improving the livelihoods of the poor. Francis M. Mwega notes that bridging the poverty gap requires improved Governance, increased public investment, enhanced productive capacity and economic growth as well as the creation of decent work.<sup>26</sup>

The role of aid means many things to different scholars. It may mean elevating the role of women and minorities in governance and decision making, free media and integrity in Government. Studies from all over the world show that growth is central to all strategies of reducing poverty and economic development. In 2011 in the city of Busan South Korea, a conference entitled Busan Aid talks was held. The conference was intended to tackle the question of Foreign Aid and its effectiveness vis a vis development. It is in record that it is the only conference ever to have been held for aid donors and recipients, emerging economies, civil society, the private sector and foundations to focus on the quality of development assistance. But almost three years on, the global partnership is at risk of fading away because of a shortage of funding, reflecting a lack of high-level political interest. Busan built on previous aid

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<sup>26</sup> Francis M Mwega: A Case Study of Aid Effectiveness in Kenya: Volatility and fragmentation of foreign Aid with a focus on Health (2009)

effectiveness commitments made in Paris and Accra on the principles of aid ownership (by developing countries), inclusive development, transparency, results and accountability<sup>27</sup>.

According to a 2013 report by UNDP Sub-Saharan Africa can achieve higher levels of human development if it deepens its engagement with other regions of the South, according to the 2013 Human Development Report, which was launched on 14<sup>th</sup> March 2013 by the United Nations Development Programme (UNDP) Administrator Helen Clark and President of Mexico Enrique Pena Nieto in Mexico City.<sup>28</sup> The Report shows the Africa region as having the second highest growth in the Report's accompanying Human Development Index (HDI) after South Asia over the past ten years. The Report uses the term "the South" to refer to developing countries and "the North" for developed ones. "Africa has achieved sustained rates of economic growth at a time of great involvement with emerging economies," says Tegegnework Gettu, Regional Director of UNDP Africa. He goes on to say "But progress has been broad-based, with strong improvements in other dimensions of human development such as health and education."<sup>29</sup>

## **1.10 Theoretical Framework**

Historians approach the topic of post-World War II U.S. overseas development schemes by referring to the modernization theory, principles, generated by social scientists that shaped U.S. relations with the Third World and particularly U.S. foreign aid programs this is according to Daniel Immerwahr<sup>30</sup>. Developmental efforts have failed, he argues, because those efforts have been technocratic, designed from an Olympian perch by experts with imperfect knowledge of the

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<sup>27</sup> Busan aid talks: The global partnership on aid effectiveness is in danger of decline: Jung Yeon-Je/AFP

<sup>28</sup> UNDP: The Rise of the South: Human Progress in a Diverse World (2013)

<sup>29</sup> Tegegnework Gettu: Human Development Report: The Rise of the South :Regional Director of UNDP Africa (2013)

<sup>30</sup> Daniel Immerwahr: The United States and Community Development: A "low modernist" Approach to foreign aid in the years of Modernization theory" University of California at Berkeley

culture, politics, or even economies of the places they sought to improve. According to Thomas M Dunn<sup>31</sup> Modernization theory defines less developed countries (LDCs), under which Sub-Saharan Africa falls as being at an earlier stage of development and assumes that these ‘traditional’ societies can undergo the same type of nation-building as that undergone by more developed countries (MDCs) if they adopted similar economic and social structures (Linklater<sup>32</sup>; O’Brien & Williams<sup>33</sup>). Modernization, as a concept, includes the full transformation and transition that an LDC has to go through to become modern Hussain & Tribe<sup>34</sup>; Lenin<sup>35</sup>.

Roger C. Riddell<sup>36</sup>, writes that development should be understood as a process “designed progressively to create conditions in which every person can enjoy, exercise and utilize under the rule of law all his human rights, whether economic, social, cultural, civil or political” and that every person has the right to participate in, and benefit from, development in the sense of progressive improvement in the standard and quality of life. A state promoting its own development within its available resources, adds Riddell, is entitled to the support of other States in the implementation of policies. It is the assumption of donors that aid has a positive influence on economic development regardless of those advocates of foreign aid who find the debates about the ethics behind aid, sterile, inconclusive, or irrelevant<sup>37</sup>. According to this scholar, while accepting that there is some obligation to help solve the problems of the Third World, these

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<sup>31</sup> Thomas M Dunn: The failings of liberal modernization theory (2013)

<sup>32</sup> Linklater, Andrew: Globalization and the transformation of political community: (2008)

<sup>33</sup> O’Brien, Robert; Williams, Marc Global Political Economy Basingstoke: (2010)

<sup>34</sup> Hussain, Ahmed; Tribe, Karl Marxism and the Agrarian Question: German Social Democracy and the Peasantry 1890-1907 (1981)

<sup>35</sup> Lenin, Vladimir I. (1899): The Development of Capitalism in Russia. Edited by L. Wishart (1977) Moscow: Progress Publishers

<sup>36</sup> Roger C. Riddell: Foreign Aid Reconsidered: British Library cataloging in Publication Data. Pp. 24.(1987)

<sup>37</sup> Op cit 23

scholars reject the notion that foreign aid can and does help achieve the objectives of development.

Foreign aid, in developing countries is assumed to facilitate and accelerate the process of development in a number of ways; importantly in economic development<sup>38</sup>. Foreign aid's main role in stimulating economic growth has been to supplement domestic sources of finance such as saving, thus increasing the amount of investment and capital stock adds the scholar. Foreign aid increases the capacity to import capital goods and technology and is associated with technology transfer that increases technology knowledge and new skills in a country. This can be in the form of funding of training institutions for example the computerization and e-marketing skills, which in turn increases the productivity of capital. If used well the funds directed to developmental projects are a major boost to Africa's struggle to achieve development and improve quality of life says the writer. According to Craig Burnside and David Dollar<sup>39</sup> foreign aid has a positive effect on growth in an environment with sound policies. This research hopes to use these two variables of growth and good policies to examine the role of foreign aid in Sub-Saharan Africa and more specifically Kenya.

On the other hand some scholars fell that aid has enlarged government bureaucracies, perpetuated bad governments, enriched the elite in poor countries, this is according to Radlet et al, Milton Friedman, Peter Bauer, and William Easterly<sup>40</sup> . They cite widespread poverty in Africa and South Asia despite three decades of aid, and countries that have received substantial aid yet have had disastrous records for instance the Democratic Republic of the Congo, Haiti,

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<sup>38</sup> Esther Kanyi Kairu: Is Foreign Aid a Necessary Evil in developing Africa? Africa, Education: Development, Economy, foreign aid, Haiti, Human Capital, Natural Disasters

<sup>39</sup> Op cit 6

<sup>40</sup> Steven Radelet, Michael Clemens, and Rikhil Bhavnani: Aid & Growth: New evidence shows that aid flows aimed at growth have produced results: Center for Global Development (2004)



Papua New Guinea, and Somalia. In these scholars' eyes, aid programs should be dramatically reformed, substantially curtailed, or eliminated altogether.

According to Robert A. Zimmerman there is lack of focus on development results which might explain the lack of aid efficiency<sup>41</sup>. Governments, multilateral institutions and NGOs have failed to account for the results of their aid efforts. Much is known on inputs, but little is known on outcomes. As a result, those responsible for communication in government development agencies face problems when asked to communicate the results of aid policy. The scholar adds that pressure for a more results oriented policy from aid opponents, civil society, donors and recipients alike has led to a formal process that resulted in the adoption of the Paris Declaration on Aid Effectiveness<sup>42</sup>.

## **1.11 Research Methodology**

### **1.11.1 The Role of Case Study in Social Sciences**

This research uses Kenya as its case study. Case study in social science research is the most flexible of all research designs<sup>43</sup>. Case study design can also be used in an intellectually rigorous manner to achieve experimental isolation of one or more selected social factors within a real-life context. This research is based on a case study of Kenya. The study examines the role of foreign aid to development and economic growth assuming a sound policy environment.

### **1.11.2 Data Collection**

Economic survey data that will be utilized in this study comes from the World Development Indicators (WDI) and the Global Development Finance (GDF) of the World Bank (2006a), African Development Bank reports and online database of OECD, reports of the

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<sup>41</sup> Robert A. Zimmerman: The determinants of foreign aid: An inquiry into the consequences of welfare state institutions and Public opinion (2007)

<sup>42</sup> The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action(2005 & 2008)

<sup>43</sup> Robert K. Yin: Case Study Research: Design and Methods: Newbury Park, Sage Publications: pp. 23 (1984)

Commission for Africa and some articles from the Center for Global Development. This report attempts to follow DAC Quality Standards for Development Evaluation OECD 2011a. Data on yearly economic growth used in this research comes from the World Bank's World Development Indicators (WDI)<sup>44</sup>.

### **1.11.3. Data Analysis**

Data is summarized in form of tables and graphs to reveal the trends of growth over the period 2008 to 2013. This research attempts to assess role of foreign aid growth hypothesis in Sub-Saharan Africa and specifically in Kenya. The research is based on data collected from the World Bank as well as OECD-DAC. Country reports are used in research. This research is based on qualitative as well as quantitative Secondary data from books and on-line journals, journals from Government archives, Media reports as well as University Research data – thesis and dissertations. OECD-DAC-EDA bulletins and data bases also serve as an important source of data.

Global Development Commitment to Development Index factors used globally in assessing the commitment of governments from the developing world to development makes part of this research. Commitment to Equity project data designed to offer research and analysis to support governments, multilateral institutions and nongovernmental organizations in their efforts to build more equitable societies will also make part of the research.

### **1.11.4 Data Presentation**

Research data will be presented in the form of growth statistics, graphs, and HDI charts Growth regression statistics makes a useful part of this study. What Hansen and Tarp<sup>45</sup> termed as the ‘Second-Generation Studies’ based on growth regressions that include different components

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<sup>44</sup> The WDI can be accessed at <http://data.worldbank.org/indicator>

<sup>45</sup> Hansen H, Tarp F: Aid Effectiveness Disputed. *J. Int. Develop.*, (12): 375-398: (2000)

of investment financing (domestic savings, aid and other foreign capital inflows) as explanatory variables make part of secondary data collection. These studies emphasize the aid investment and investment-growth links, or the direct inclusion of aid in growth regressions. Second generation studies consider aid as exogenous variable and most of them predict that aid is effective (Hansen and Tarp).

To test the positive role of foreign aid in Africa south of the Sahara, this research uses the aid-growth link using a dynamic growth equation which includes a lagged dependent variable, policy variable, foreign aid, the interaction between macroeconomic policy and foreign aid as well as a quadratic term in aid. The interaction and quadratic terms are meant to capture the non-linearity in the contribution of aid to growth. The central indicators of macroeconomic policy are the budget surplus relative to GDP, inflation, and trade openness, measured by the indicator variable defined by Sachs and Warner<sup>46</sup> the three policy variables are used to construct a policy index, given by:

Policy = 1.28 + 6.85 Budget surplus – 1.4 Inflation + 2.16 Openness. This research borrows from the studies done by Philip Denkabe<sup>47</sup>.

### **1.12. Scope and imitations of the Research**

Aid effectiveness is likely to remain a contentious area of debate. Substantial resources are involved, and the widespread perception that aid has been ineffective in fostering growth at the macro level has led to aid fatigue in many donor countries. Secondly, empirical conclusions about aid effectiveness that are based on growth regressions that depend on poorly understood non linearities and critical methods that quantify human development with low levels of poverty as indicators of human development may not be appropriate measures. Overcoming biases

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<sup>46</sup> Sachs J. D. and A. M. Warner Economic reform and the process of global integration: Brooking Papers on Economic Activity 1, 1–11(1995)

<sup>47</sup> Philip Denkabe: Policy, Aid and Growth: A Threshold Hypothesis (2003)

surrounding the question of foreign aid is likely to interfere with interpretation available data. Foreign aid contains matters of foreign policy and national interest that can often interfere with the caliber of data that finally sips to the public for use and dissemination; this definitely interferes with research.

### **1.13. Chapter Summary**

#### **Chapter Two**

##### **The Role and Significance of Foreign Aid in Kenya's Development Agenda**

Development assistance to Kenya is motivated by more than a concern for development and development strategy. This is according to a group of scholars<sup>48</sup>. Kenya attained independence from Great Britain in 1963 but has been struggling economically to attain economic self-sustenance. This chapter discusses the significance and role of foreign aid in Kenya's growth and development agenda.

#### **Chapter Three**

##### **The Role of Foreign Aid on Human Development in Sub-Saharan Africa**

This chapter focuses on foreign aid and human development in sub-Saharan Africa. The chapter also discusses the perceived 'fragility' of the sub-Saharan African countries. The chapter dwells on the three geometric indices of human development, namely income, education and health. The chapter also examines growth and aid in sound economic policy environments.

#### **Chapter Four**

##### **Opportunities and Measures for improving Foreign Aid in Kenya**

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<sup>48</sup> Dorothy McCormick, Winnie Mitullah and Erick Manga: Extent and Forms of Donor Proliferation and Coordination in Kenya: Working Paper: The Case of Inclusive Industrialization and Governance Reform: (2000-2005) (2007)

This chapter discusses the opportunities and measures for improving foreign aid in Kenya. The chapter analyses policy based humanitarian official development assistance both at the bilateral level and multilateral level and how foreign aid efficacy can be achieved and strengthened.

## **Chapter Five**

### **Conclusion, Recommendations for Further Study**

This chapter gives concluding remarks, recommendations and suggestions on areas for further study in the role played by foreign aid in Sub-Saharan Africa. Growth is central to all strategies of development. Lack of growth coincides with increase in poverty and decline in human development indicators. Bottlenecks to investment—and thus to growth—continue. Despite being better developed relative to regional neighbors, the economy is underdeveloped relative to faster growing economies in the world with which Sub-Saharan Africa should compare itself.

## **Chapter Two**

### **Significance and Role of Foreign Aid in Kenya's Growth and Development**

#### **Agenda**

##### **2.1 Introduction**

This chapter discusses the significance and role of foreign aid in Kenya's growth and development agenda as well as donor bilateral ties between Kenya and various donors. The chapter also talks of Kenya's poverty reduction plans as well as the government's policy towards aid. The chapter also touches on the macro and micro economic elements that surround aid. Development assistance to Kenya is motivated by more than a concern for development and development strategy; it is also driven by the political, economic, and institutional circumstances of both donors and recipients<sup>49</sup>.

##### **2.2 The Role of Foreign Aid in Kenya**

Kenya attained independence from Great Britain in 1963 but has been struggling economically to attain economic self-sustenance. Kenya is ranked 4<sup>th</sup> in the top 10 category list of countries receiving the most aid in Africa according to a World Bank report. Though Kenya is not dependent on aid for purposes of a functioning economy; it does however need donor funds to help bolster development spending<sup>50</sup>. Approximately 15 percent of Kenya's public expenditures are financed by foreign aid. Kenya is ranked amongst the 47 countries in sub-Saharan Africa which are developing and amongst the world's 43 low income economies<sup>51</sup>. Kenya has been dependent on foreign aid for capital and social investments. Most of the aid to

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<sup>49</sup> Dorothy McCormick, Winnie Mitullah and Erick Manga: Extent and Forms of Donor Proliferation and Coordination in Kenya: Working Paper: The Case of Inclusive Industrialization and Governance Reform: (2000-2005) (2007)

<sup>50</sup> Data Worldbank.org 2012

<sup>51</sup>The World Bank Group: <http://go.worldbank.org/47F97HK2P0> (2011)

Kenya has been bi-lateral that is directly from donor countries. Multilateral donors have also played a big part in aid disbursement. These are the Bretton Woods Institutes - IMF and World Bank, Regional Development Banks e.g., Asian Development Banks (ADB), African Development Bank (AfDB) and Inter-American Development Bank (IADB), various United Nations agencies also fall into the category of multi-lateral donors.

A new form of aid initiative is finding its way into some poverty stricken households in Kenya. The initiative is called Give Directly<sup>52</sup> where donors contribute directly in a no-strings attached cash programme. This programme if sustained will definitely go a long way towards making aid more efficient. The idea is to give poor families \$1,000 for ten months then observe how they spend the money without any conditions whatsoever. The economist behind this initiative is one Michael Faye. Faye believes that no donor is gifted with the knowledge to know exactly what the poor need other than the poor themselves. The typical poor person according to this fund lives in a mud or thatch as opposed to more durable iron sheet roofs. This presupposes that all those living in such conditions are poor. Though frowned on by major donors who felt that conditional grants were more cost-effective and their benefits persisted after the payments stopped, the initiative can alleviate poverty if not blown away on booze and other illicit acts adds Faye. Households can absorb cash directly and if put to good use the donations can go a long way to aid development. In this initiative, field workers from the fund visit villages in Kenya's poorest districts with GPS devices to register beneficiaries and distribute the cash via M-Pesa, Kenya's mobile money-transfer system. The report adds that the system does work because it removes the NGO and gives directly to the recipient to use the money in projects of their own choice. Through this programme, Faye hopes to influence other donors to give more non-profit

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<sup>52</sup> The Economist: Cash To the Poor: Pennies from Heaven: Giving Money Directly to people Works Well. But It Cannot Deal With The Deeper Causes of Poverty: October 2013

donations while hoping that donations will do more if given directly to the poor. In the areas where the cash is being given, Faye notes that food security has substantially increased with more than 42% children less like to go without food. The programme is at the moment being tried in Kenya and Uganda.

Kenya has continuously reduced its aid dependence<sup>53</sup>. However, donors provide more than 40% of the national budget continues the report. The tendency by donors to bypass government structures and fund non-government programs and projects directly to avoid government abuse of funds is one that has not gone unnoticed; misappropriation of around \$40 million of DFID support for the Free Primary Education Fund (FPE), channeled through the Ministry of Education, is one of many examples adds the report that makes donors bypass government structures. According to the World Bank, Sub-Saharan Africa’s developing countries are 47 in number. The table below is arranged alphabetically and not in order of country development. Year to year changes in the nominal level of output or income of an economy are affected by a combination of forces: real growth, price inflation, and exchange rates. Rankings are based on all World Development Indicators economies this is according to the World Bank Atlas method<sup>54</sup>.

Angola	Gambia, The	Rwanda
Benin	Ghana	São Tomé and Príncipe

<sup>53</sup> BTI 2014: Kenya Country Report

<sup>54</sup> The World Bank: The *Atlas* conversion factor is the average of a country’s exchange rate for that year and its exchange rates for the two preceding years, adjusted for the difference between the rate of inflation in the country and international inflation; the objective of the adjustment is to reduce any changes to the exchange rate caused by inflation.



Botswana	Guinea	Senegal
Burkina Faso	Guinea-Bissau	Seychelles
Burundi	<b>Kenya</b>	Sierra Leone
Cameroon	Lesotho	Somalia
Cabo Verde	Liberia	South Africa
Central African Republic	Madagascar	South Sudan
Chad	Malawi	Sudan
Comoros	Mali	Swaziland
Congo, Dem. Rep.	Mauritania	Tanzania
Congo, Rep	Mauritius	Togo
Côte d'Ivoire	Mozambique	Uganda
Eritrea	Namibia	Zambia
Ethiopia	Niger	Zimbabwe
Gabon	Nigeria	

The table above shows Sub-Saharan Africa developing countries. Data extracted from The World Bank database

**World Low-income economies (\$1,045 or less)**

Afghanistan	Gambia, The	Nepal
Bangladesh	Guinea	Niger

Benin	Guinea-Bissau	Rwanda
Burkina Faso	Haiti	Sierra Leone
Burundi	<b>Kenya</b>	Somalia
Cambodia	Korea, Dem Rep.	Tajikistan
Central African Republic	Liberia	Tanzania
Chad	Madagascar	Togo
Comoros	Malawi	Uganda
Congo, Dem. Rep	Mali	Zimbabwe
Eritrea	Mozambique	
Ethiopia	Myanmar	

The table above shows the list of countries that are described as “low-income” by the World Bank. Kenya falls in this group according to the World Bank. These are countries that GNI per capita, calculated using the World Bank Atlas method, of \$1,045 or less in 2013.

From the tables shown above, it is clear that despite receiving foreign aid in considerable amounts, much of Sub-Saharan Africa has not benefited from the aid resources. According to one writer, “helping Africa is a noble cause, but the campaign has become a theater of the absurd the blind leading the clueless. More than \$500 billion in foreign aid the equivalent of four Marshall Aid Plans was pumped into Africa between 1960 and 1997 but instead of increasing development, aid has created dependence”<sup>55</sup>. The scholar adds that the more aid is poured into

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<sup>55</sup> Thompson Ayodele, et al: African Perspectives on Aid: Foreign Assistance Will Not Pull Africa Out of Poverty (2005)

Africa, the lower its standard of living. Per capita GDP of Africans living south of the Sahara declined at an average annual rate of 0.59 percent between 1975 and 2000. Yet evidence shows that development aid, when properly designed and delivered, works, saving the lives of the poor and helping to promote economic growth<sup>56</sup>. DA largely consists of grants and concessional loans that are invested in infrastructure projects (roads, dams, and ports), the provision of large public goods, as well as the more traditional balance of payments support<sup>57</sup>.

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<sup>56</sup> Jeffrey Sachs: The Case for Aid: 2014

<sup>57</sup> 1) Whitfield, L., 2009. Reframing the aid debate: why aid isn't working and how it should be changed, DIIS Working Paper 2009:34. Copenhagen, Denmark: Danish Institute for International Studies  
2) Riddell R. (2007). Does Foreign Aid Really Work? Oxford: Oxford University Press

## 2.3. Kenya's Bilateral Aid Agreements

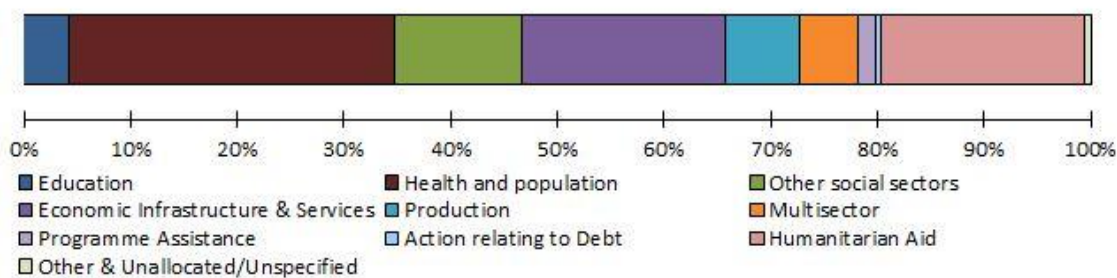
### Kenya

Receipts	2010	2011	2012
Net ODA (USD million)	1 629	2 482	2 654
Bilateral share (gross ODA)	69%	62%	64%
Net ODA / GNI	5.1%	7.4%	7.1%
Net Private flows (USD million)	- 175	387	- 123

For reference	2010	2011	2012
Population (million)	40.9	42.0	43.2
GNI per capita (Atlas USD)	800	800	850

Top Ten Donors of gross ODA (2011-12 average)		(USD m)
1	United States	768
2	IDA	284
3	IMF (Concessional Trust Funds)	269
4	Germany	263
5	Japan	193
6	AfDF	184
7	EU Institutions	183
8	United Kingdom	162
9	France	115
10	Sweden	77

Bilateral ODA by Sector (2011-12)



Sources: OECD - DAC, World Bank; [www.oecd.org/dac/stats](http://www.oecd.org/dac/stats)

The table above shows top gross bi-lateral ODA donors to Kenya as well as the sectors that received funding between 2010 and 2012. The main sectors that were funded by ODA as shown in the table above were education, health and production. Economic infrastructure, program assistance and concessional funds were also received towards debt alleviation. Humanitarian aid however received the largest share from the ODA donors. The United States was the biggest donor in this 2010 to 2012 period. The IMF took 3<sup>rd</sup> place with Sweden placing last. There was a marked increase of ODA between 2010 and 2012 with bilateral gross share going down by 5% in 2012. As a result per capita economic growth has been lackluster, and

output and employment are not shifting from low-productivity areas to high productivity areas. Per capita income in 2010 was essentially the same as in 1981, with only a modest 7.8% cumulative increase over three decades.

On 10 November 2013 the bilateral agreement between the Government of the Slovak Republic and the Government of the Republic of Kenya on Development Cooperation entered into force<sup>58</sup>. The Agreement sets out the general conditions for development cooperation between the countries, which is a prerequisite for enhancing the provision of official development aid system of the Slovak Republic. The agreement imposes Republic of Kenya to make efficient use of Official Development Assistance of the Slovak Republic, to take the necessary measures to prevent abuse or retention of funds provided under this assistance, as well as to guarantee non-infringement of the conditions under which these funds were provided.

The United Kingdom has identified that the gap between the rich and the poor widened by 20% in the last ten years. UK aid in Kenya is expected to develop safety nets for the most disadvantaged<sup>59</sup>. UK aid to Kenya adds the report, aims to promote stability by stimulating growth led by business and improving service delivery. The top priorities of the fund is to get more children into school in the poorest areas, improve maternal and reproductive health, accelerate progress in fighting malaria, create more jobs for the youth as well as promote stability and strengthening accountability. UK Aid will spend an average of GBP 128 million per year in Kenya adds the report.

Norwegian development cooperation is concentrated on promoting human rights and good governance, with gender equality as an integrated component<sup>60</sup>. In 2013 Norway's

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<sup>58</sup> Slovak Aid: Bilateral agreement on development cooperation with Kenya: Published on Slovak Aid (<http://slovakaid.sk>) (2013)

<sup>59</sup> UK Aid: Bilateral Aid Review Results: Country Summaries: Crown copyright 2011

<sup>60</sup> Norway Aid: Bilateral assistance to Kenya 2008 – 2013 Updated 2014

contribution to the implementation of the election constituted the most important result of the development cooperation. The aid adds the report, hopes to lift 830,000 people out of poverty by delivering cash transfers through a hunger safety net programme, help an additional three million people get access to financial services, save the lives of more than 2000 women who otherwise die during child birth amongst other promises.

Switzerland's presence in Kenya began soon after independence when Switzerland recognized Kenya's independence and opened up bilateral relations with Kenya in 1964. Since then, the Confederation has supported a number of different development projects. Among these, Switzerland supported the establishment of Utalii College in Nairobi in the 1970s, specialized in training hotel professionals and today considered as a model in Africa<sup>61</sup>. Development co-operation was the main agenda then but currently the focus is on governance and human rights Swiss Development Fund (SDC) has a regional office in Nairobi from where it co-ordinates humanitarian aid for the region. Switzerland works together with other countries to improve governance and respect for human rights in Kenya adds the report. Switzerland also fosters economic and cultural relations. Nairobi hosts the fourth-largest UN office. The Swiss embassy represents Switzerland's interests in the UN Environment Programme (UNEP). Swiss humanitarian aid has set the following priorities in Kenya: Food security/rehabilitation of the environment Multi-sector emergency aid and humanitarian co-ordination Protection of refugees, internally displaced people and migrants adds the report.

Kenya ranks among the top recipients of U.S. foreign assistance globally. Post-election violence as well as the global economic downturn, and a 2011/2012 regional drought hit the

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<sup>61</sup> Switzerland Development Co-operation: Federal Department of Foreign Affairs: Bilateral relations between Switzerland and Kenya: (2012)

economy hard. Aid within these periods was pro-cyclic. The pro-cyclicality of aid stands in contrast with the expectation that aid can be used as a development tool, for filling in the economic gap in developing countries. The growth rate has risen in the past two years, averaging 5%-6%, but not enough to address the country's development needs. Government efforts to pursue privatization, deregulation, and trade liberalization are ongoing, but high tariff rates continue to hinder investment.

## **2.4. Micro-Economic Analysis of Donor Reactions during the Post-Election**

### **Period 2007/2008**

The post-election violence in 2008 showed divisions in donor opinion in Kenya and that donors do herd in situations of conflict. Stephen Brown<sup>62</sup> argues that while donors' reactions to the 2008 post-election were varied though an improvement on past reactions, they failed to learn some important lessons from the past and take a more proactive role in preventing violence, notably because they disregarded key governance problems that made violence escalate. By focusing on ending the violence as quickly as possible, donors placed greater priority on peace than on justice or democracy, a trade-off that undoubtedly saved many lives but compromises the political reform agenda and carries significant future risks for Kenya and other countries. Donors openly took sides. The author adds that only in private did donors exercise 'quiet diplomacy', refusing to condemn openly the sitting government and continuing to channel relief funds through the same government that was allowing the attacks to continue, often even sponsoring them. Brown adds that individual donors did not always speak with one voice and some officials were reluctant to invoke a reduction in foreign aid as a means of pressure. On 24 January, US

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<sup>62</sup> Stephen Brown: Donor responses to the 2008 Kenyan crisis: Finally getting it right? School of Political Studies, University of Ottawa, Canada: Forthcoming in the *Journal of Contemporary African Studies*, vol. 27, no. 3 (July 2009)

Ambassador Michael Ranneberger was reported saying it would be counterproductive' and 'premature' to talk about cutting assistance<sup>63</sup>. Ambassador Michael Ranneberger is reported to have said that it would be 'counterproductive' and 'premature' to talk about cutting assistance. The Australian Foreign Minister, Stephen Smith, on 30 January 2008, however, invoked the spectre of aid cuts when he announced, 'We will also be keeping under review our development assistance program provided to Kenya'. The report adds that in early February, the US embassy notified 13 Kenyan politicians and businessman that the US Government was reviewing their visa status, in light of their alleged support or incitement of violence donors soon stopped some payments, which had an effect on Kenya's credit rating, moving to a 'low-case scenario' as foreseen in the 2007 Kenya Joint Assistance Strategy, which contained scenarios for scaling up or down aid, depending on the quality of governance<sup>64</sup>.

The British and Swiss announced measures similar to the American ones, and the UK raised the possibility of 'smart sanctions' that would freeze assets held abroad by those who sabotaged the mediation process<sup>65</sup>, while the Canadians reiterated the standing possibility of not being permitted to enter Canada for those who had been implicated in the violence. Before the year's end, however, donor commitment to uphold their pressure had already waned. Western countries had re-engaged with the government, even though the latter had not made much concrete progress on its commitments, but assistance still fell short of "business as usual"<sup>66</sup>. By

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<sup>63</sup> New York Times, 24 January( 2008)

<sup>64</sup> Harmonisation, Alignment and Coordination (HAC) Kenya: Kenya joint assistance strategy 2007–2012. Nairobi: HAC Donor Working Group (2007)

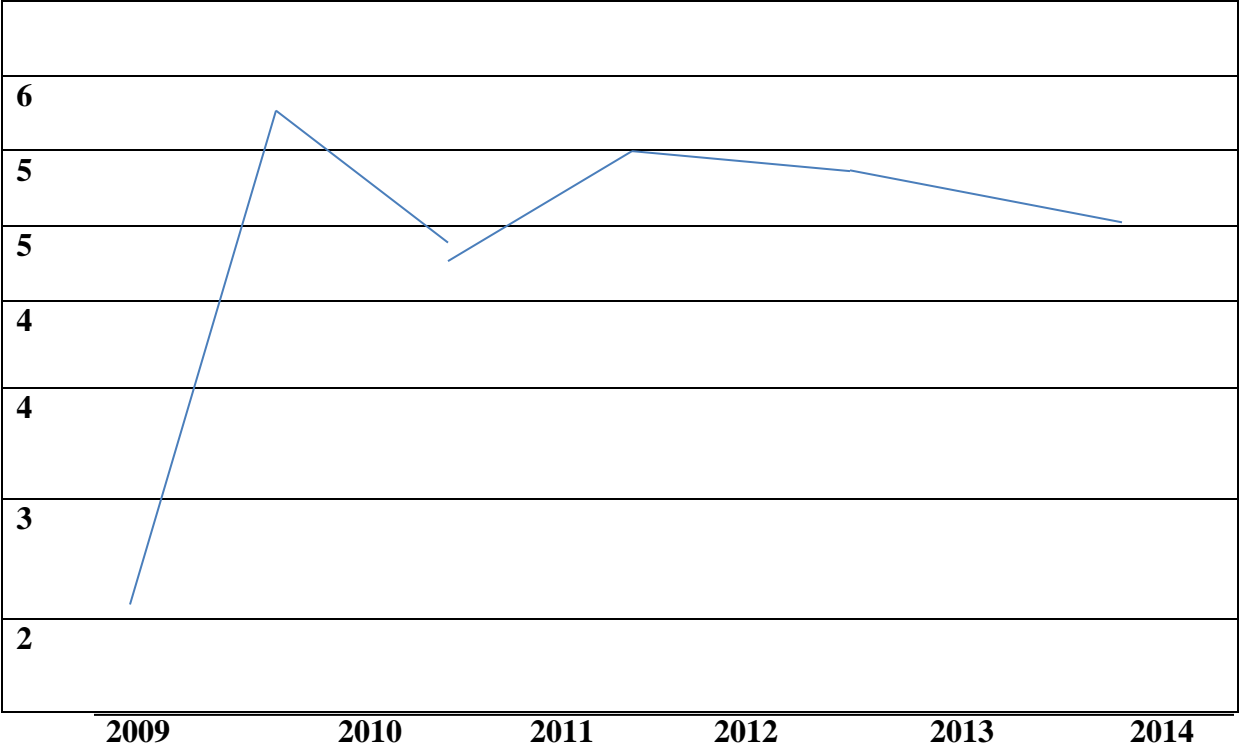
<sup>65</sup>The Guardian: The US and Switzerland have threatened travel bans on politicians seen as inciting violence or obstructing the peace talks, while Britain says it may use "smart sanctions" - such as asset-freezing and visa restrictions.... Tuesday 19 February 2008

<sup>66</sup> Stephen Brown & Rosalind Raddatz: Dire consequences or empty threats? : Western pressure for peace, justice and democracy in Kenya: Journal of Eastern African Studies: School of Political Studies, University of Ottawa, Ottawa, ON, Canada: Routledge Informa Ltd Registered in England and Wales Registered Number: 1072954 Registered office: Mortimer House, 37-41 Mortimer Street, London W1T 3JH, UK  
<http://www.tandfonline.com/loi/rjea20>

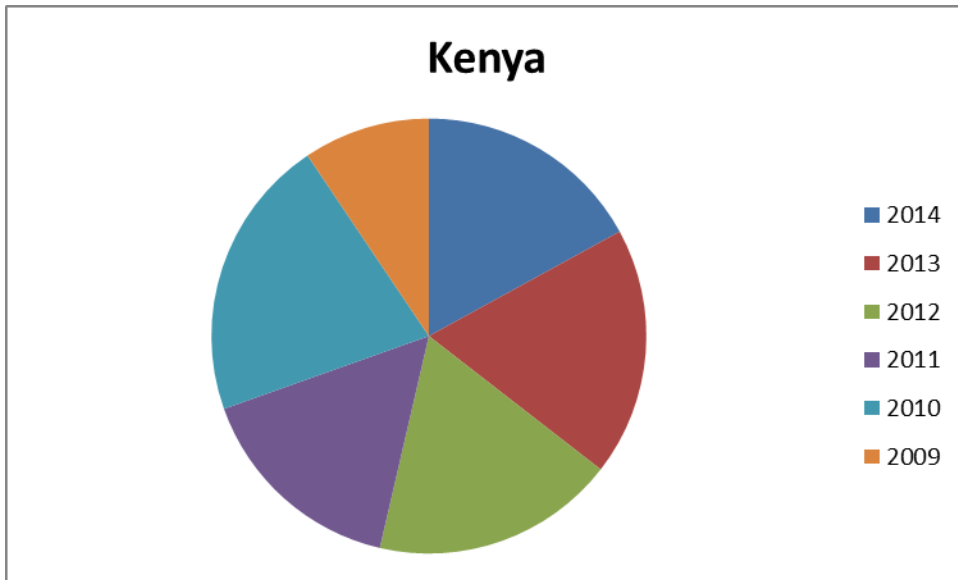


the beginning of 2010, most donors had dropped the issue, despite having previously framed it as key to future cooperation with the Kenyan government add the scholars. According to one scholar<sup>67</sup>, Kenya is a strategic partner of the United States and anchor state in East Africa, and as critical to counterterrorism efforts in the region. The report adds that Kenya ranks among the top U.S. foreign aid recipients in the world; US aid comes in form of development, humanitarian, and security assistance in recent years.

### 2.5. Kenya GDP Growth Rate Forecast (World Bank)



<sup>67</sup> Lauren Ploch Blanchard: U.S.-Kenya Relations: Current Political and Security Issues: Specialist in African Affairs September 23, (2013)



<u>Year</u>	<u>Value</u>	<u>Per Cent</u>
2009	2.6	9%
2010	5.8	21%
2011	4.4	16%
2012	5	18%
2013	5.1	18%
2014	4.7	17%

The line graph and chart above display the development of Kenya GDP growth rate forecast (World Bank) from 2009 to 2014. GDP was at 9% in 2009 which was the period immediately after the 2007/2008 post-election violence. In 2010, robust GDP was witnessed with an increase of 12% to rest at 21%. 2012 and 2013 GDP rates remained constant at 18% but this trend has been followed by a forecast decline of 1% with a GDP value of 4.7% from the 5% GDP value witnessed in 2013.

Kenya has a growing middle class, but more than half the population lives on less than \$1 per day<sup>68</sup>. Unemployment is widespread, and a high population growth rate has contributed to a young, increasingly urban, and potentially restive population. U.S. foreign assistance to Kenya has reached almost \$1 billion annually in recent years, and the country routinely ranks among the top ten U.S. aid recipients globally adds the USAID report(op cit) U.S. assistance was estimated at over \$900 million in FY2011, including over \$200 million in food and other humanitarian aid<sup>69</sup>. According to this report, Kenya received more than \$700 million in U.S. aid in FY2012 over \$500 million in bilateral aid, including almost \$8 million in Overseas Contingency Operations funds, and roughly \$200 million in humanitarian aid, in addition to U.S. support for AMISOM troop contributors. The State Department has requested \$564 million in non-emergency aid for FY2014; this figure does not include food aid or certain types of security assistance. Global health programs regularly comprise 65%-75% of total non-emergency aid to Kenya, although there has been a substantial reduction in HIV/AIDS-related funding in the past two years, based on “efficiencies and country-specific factors”<sup>70</sup>.

## **2.6. Kenya’s Poverty Reduction and Reform Plans**

Kenya’s current aid coordination and harmonization architecture was established in 2011, taking into account new developments arising from the 3rd and 4th high-level meetings on aid effectiveness held in Accra, Ghana and Busan, South Korea<sup>71</sup>. During these talks donors tried to reform aid allocation mechanisms which were part of the reasons hindering aid effectiveness and

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<sup>68</sup> USAID: USAID emergency fact sheets.

<sup>69</sup> Assistance figures compiled by CRS based on annual State Department budget justifications, USAID emergency fact sheets, and congressional notifications of both DOD and State Department security assistance.

<sup>70</sup>US State Department: Kenya: FY2013 Congressional Budget Justification for Foreign Operations. Foreign aid for FY2013 is currently funded under a continuing resolution, P.L. 112-175, under which accounts are funded at the same level as in FY2012 plus 0.612%. Country allocations from those accounts are at the discretion of State and USAID

<sup>71</sup> African Development Bank Group: Kenya: Country Strategy Paper 2014-2018: EARC: February 2014

causing volatility. Following the Paris Declaration<sup>72</sup>, Development Partners in Kenya have organized themselves in coordination groups namely: the Donor Co-ordination Group (DCG), the Harmonization, Alignment and Coordination Group (HAC) and the sector donor groups. According to the Country Strategy Paper <sup>73</sup> drawn as a result of discussions with the Government, development partners and other stakeholders during visits to Kenya in July and September 2008 the Medium Term Plans focusing on economic growth and employment creation as the basis for poverty reduction and shared prosperity are taken into. Lessons of the post-election crisis of 2008 cannot be forgotten and measures to address income disparities among households and regions, and good governance and institutional strengthening are crucial for policy sustainability. According to this strategy paper, CSP pillars are threefold: encouraging economic growth; investing in people and reducing poverty; and strengthening institutions and improving governance.

Within the government's coordination and harmonization framework, assistance at country and sector level has gone through different phases to gain more alignment, harmonisation and ownership this is through Sector-wide Approaches (SWAPS) introduced in the country in the 1990s. SWAPS have become a preferred approach for financial and technical support on sector level<sup>74</sup>. A SWAP is a process wherein all significant funding for the sector, whether internal (partner government contributions) or external (donor contributions), supports a single sector policy and expenditure programme under government leadership. It generally calls

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<sup>72</sup> OECD: Paris Declaration on Aid Effectiveness Ownership, Harmonisation, Alignment, Results and Mutual Accountability [www.oecd.org/dac/effectiveness](http://www.oecd.org/dac/effectiveness) (2005)

<sup>73</sup> African Development Bank: Kenya: Country Strategy Paper: CSP for Kenya 2008-2012: Country and Regional Department - East A (OREA)

<sup>74</sup> Global Land Tool Network UN Habitat: Institutional Harmonisation Processes in the Kenyan Land Sector: A Case Study of the Time Period 2003–2007

for government procedures to disburse and account for funds<sup>75</sup>. The Global Land Tool Network adds that the main objectives behind the creation of SWAPS is to broaden ownership by partner governments over decision-making with respect to sector policy, strategy and spending; improve coordination amongst all relevant policy stakeholders in the sector (harmonisation); increase coherence between sector policy, spending and results by bringing the sector budget back into the centre of policy-making and unifying expenditure programming and management regardless of the sources of funding (alignment); minimise transactions costs associated with the provision of external financing. However, there is no SWAP blueprint.

Education and health are among the sectors that the Government has identified as Core Poverty Programmes (CPPs)<sup>76</sup>, the development expenditure of CPP is to be increased by 15% annually adds the report. It goes on to say that these programmes have yielded mixed results with a progressive relative increase in public expenditure in some sectors like health and a decrease in others such as education. Ranked on the basis of quality of higher education and training, Kenya performs better compared to a majority of her African peers but poorly compared to the Asian tigers that the country seeks to emulate their development model(s) adds the report. When donors finance urgent humanitarian needs and decide simultaneously to increase their aid allocations to the country, we term this “beneficial” herding. It simply reflects suddenly increased needs that are taken into account by the donor community as a whole. However, this sudden increase in aid can cause major economic calamities though well intentioned<sup>77</sup>. Donors move in herds<sup>78</sup>

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<sup>75</sup>1) Foster, M.: New Approaches to Development Co-operation: What can we learn from experience with implementing Sector Wide Approaches? ODI Working Paper 140 (2000a)

2) Foster, M.: The status of Sector-Wide Approaches: ODI, Ireland Aid (2000b)

<sup>76</sup> Kenya Human Rights Commission (KHRC) and Social and Public Accountability Network (SPAN): Harmonization of Decentralized Development in Kenya: Towards Alignment, Citizen Engagement and Enhanced Accountability: A Joint Collaborative Research Report: 2010

<sup>77</sup> Emmanuel Frot and Javier Santiso: OECD Development Centre: Herding in Aid Allocation: Research area: Global Development Outlook Working Paper : 2009

suddenly disbursing money into “star” countries, and that those sudden increases are followed by long aid declines. Vives<sup>79</sup> defines “herding” as behavior where one person (or agent) observes the action(s) of their predecessor(s), updates their prior belief, and then has more incentive to imitate their predecessor(s) knowing that their choice may not be optimal; Meaning that aid agents often infer information out of the actions of other agents. Externality of information is how best to describe this situation. Banerjee<sup>80</sup> and Bikhchandani, Hirshleifer, and Welch<sup>81</sup> introduced the first models that emphasized the inefficiencies of these information externalities in a context of social learning.

According to the World Bank<sup>82</sup>, Kenya is full of contrasts despite great achievements over the last few years the country is yet to reach its full potential. The report is structured around three pillars which are in line with the government’s Vision 2030 namely, human development and resilience; growth and competitiveness; and governance. If Kenya sustains reforms that achieve these objectives, it would approach Middle-Income status within a decade.

### 2.6.1. Key Indicators

Population (M)	43.2	HDI	0.519	GDP p.c. (\$)	1765.5
Pop. Growth <sup>1</sup> (% p.a.)	2.7	HDI rank of 187	145	Gini Index	47.7
Life	60.4	UN Education	0.584	Poverty <sup>3</sup> (%)	67.2

<sup>78</sup> Cassen R.: Does Aid Work: Report to an Intergovernmental Task Force. Oxford, Oxford University Press (1986)

<sup>79</sup> Vives, X.: How Fast do Rational Agents Learn: Review of Economic Studies, Vol. 60, No. 2, (1993)

<sup>80</sup> Banerjee A.: A Simple Model of Herd Behavior: The Quarterly Journal of Economics, Vol. 57, No. 3, (1992)

<sup>81</sup> Bikhchandani, S., D. Hirshleifer, and I. Welch: A Theory of Fads, Fashion, Custom, and Cultural Change as Informational Cascades: Journal of Political Economy, Vol. 100, No. 5, (1992)

<sup>82</sup> The World Bank: Achieving Shared Prosperity in Kenya (2013)

expectancy (years)		Index			
Urban	24.4	Gender	0.608	Aid	40.4
population (%)		inequality <sup>2</sup>		per capita (\$)	

Source: The World Bank, World Development Indicators 2013 UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

The table above shows Human Development Indicators that is education, health/life expectancy and income. According to the table, Kenya has a 2012 Gini coefficient of 47.7. Kenya is also categorized as a low-income country. According to the statistical data from 2007, 45.9% of the population lives below the poverty line, thus putting the Millennium Development Goal of halving poverty by 2015 out of reach. Kenya is ranked 145 out of 187 in the human development index. The country as of 2013 had a population of 43.2 million with a population growth rate of 2.7%. The UN education index lies at 0.584. Poverty level during the same year was at 67.2 while aid per capita was 40.4.

According to the Bertelsmann Stiftung report<sup>83</sup>, Kenya is one of the poorest countries in the world. Ranked 147th worldwide on the Human Development Index (HDI), and though its HDI improved slightly from 0.443 in 2000 to 0.509, economic growth since 2002 has not been enough to move Kenya into the category of medium human development (> 0.52). Kenya has the highest HDI in the EAC, but has made little progress. A decrease in population growth from 3.8% per year was achieved in the 1980s to 2.6% in recent years. The report adds that should the fertility rate of 4.6 children per woman prevail, Kenya's population may be about 82 million by

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<sup>83</sup> BTI 2014: Kenya Country Report: This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. <http://www.bti-project.org>

2040 (up from 9.1 million in 1964); if fertility falls to the expected 2.1 children per woman, it will be around 65 million. According to a report by three economists<sup>84</sup>, Kenya's growth history has been a disappointment. The country has not achieved a long and prolonged growth spell. It is against this background that Kenya's Economic Recovery Strategy for Wealth and Employment Creation (ERS) was formulated in 2003 adds the report.

## **2.7. Kenya's Policy Strategy**

To sustain the recovery and move into a higher growth and development path, the Kenya Government has formulated a new long-term development programme - Kenya Vision 2030 adds the report. The Vision is to have a development strategy that succeeds the ERS and answers to the aspirations of a prosperous society by transforming Kenya into a newly-industrialising, middle income country providing a high quality of life to all its citizens in a clean and secure environment by the year 2030. The Vision adds the report aims at meeting the Millennium Development Goals in making Kenya more competitive globally. Vision 2030 hopes to reduce the number of people living in poverty to a tiny proportion of the total population<sup>85</sup>. Kenya hopes to attain a society that guarantees equality of opportunity in accessing public services and providing income generating activities as widely as possible; provide a globally competitive and quality education, training and research. This entails the creation of new school, recruitment of new teachers, and creation of a supply chain of computers to schools as well as assistance being offered to the schools in poor areas. The country aims to provide an efficient integrated and high quality affordable health care system.

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<sup>84</sup> **Prof. Njuguna Ndungu, Dr. Kamau Thugge & R Owino Otieno:** Unlocking the Future Potential for Kenya – The Vision 2030: Chapter 4(2010)

<sup>85</sup> The role of Geospatial Technology (GIS) in the Kenya Vision 2030



Kenya needs to boost productivity and regain its competitiveness<sup>86</sup>. The report adds that Kenya needs to continue investing in infrastructure and human capital, improve the business and regulatory environment, and diversify exports. To maintain high growth rates, the report adds that Kenya needs to continue investing in infrastructure and human capital, improve the business and regulatory environment, and diversify exports. The report rues that for Kenya is to re-engineer policies to boost productivity growth and foster job creation, i.e. reinvigorate both engines of the economy the best way to achieve is to maintain macroeconomic stability, to develop a business environment that promotes investment and job creation, and to increase the stock of physical and human capital. The ultimate objective adds the report is to make the country's development strategy inclusive; to achieve this reform to promote economic diversification and job creation, and tackling infrastructure gaps need to be put in place. Poverty surveys and monitoring are needed—with national household budget surveys as a foundation to understand how, where and why poverty is changing, and to inform public policy according to The World Bank. The report notes that there has been a missed opportunity to understand whether economic gains and government policy have generated pathways out of poverty for the poor. Creation of more productive jobs is also recommended as well as the growth of the low and middle skills jobs that will represent pathways out of poverty for the poor, the government can work to improve the competitiveness of manufactured exports, and the investment and business environment. The World Bank adds that strengthening, harmonizing and expanding Kenya's array of cash transfer programs will help reduce poverty, by enabling poor households to consume more, invest in productive assets, and achieve their education and health goals.

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<sup>86</sup> The World Bank: Time To shift Gears: Accelerating Growth and Poverty Reduction in the New Kenya: 8<sup>th</sup> Edition: (2013)

Kenya also intends to become the regional provider of choice for highly-specialized health care, thus opening Kenya to “health tourism” all these intentions are in line with United Nation’s human development index<sup>87</sup> whose goal is to sustaining human progress reducing vulnerabilities and building resilience. More recent data however show a more robust future for the Kenyan economy as reported by the IMF Assistant Director, African Department, International Monetary Fund<sup>88</sup> “Kenya’s economy has continued to grow, with a pick-up in credit to the manufacturing sector and renewed foreign investor interest, notably in the extractive industries. Inflation remains within the central bank’s target band, reflecting the implementation of implementation of sound monetary policy, and has contributed to the stability of the country’s currency. Following a successful sovereign bond issue, international reserves have reached a level of more than five months of import coverage. The IMF in the same report also notes that Kenya’s expanding financial sector remains robust, and the ongoing process of financial inclusion has opened up the possibility of extending credit at more affordable rates to small and medium-sized enterprises”. Despite challenges posed by low rainfall and security-related concerns that have affected tourism, Kenya’s reform record and economic performance in recent years has laid the ground for sustainable growth that would enable the country to reach its ambitious Vision 2030 development targets adds the human development report. Vision 2030’s goal of 10 percent long-run growth is ambitious, considering that Kenya’s average annual GDP growth rate was around 3 percent from 1980 to 2005.<sup>89</sup>

To improve the effects of aid volatility and achieve Vision 2030 goals will require both the input of donor as well as the recipient country. The government needs to finance human

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<sup>87</sup> Human Development Report 2014: Sustaining Human Progress Reducing Vulnerabilities and Building Resilience

<sup>88</sup> Mauro Mecagni: International Monetary Fund (IMF): Statement at the Conclusion of an IMF Mission to Kenya for the 2014 Article IV Consultation: Press Release No. 14/334: July 9, 2014

<sup>89</sup> The World Bank: Accelerating and Sustaining Inclusive Growth Poverty Reduction and Economic Management Unit 2 Country Department for Kenya Africa Region: Report No. 42844-KE (2008)

development and to assist create an exit from aid dependency. Reinforcing the tax system in order to raise this revenue is central to strengthening the state foster good governance. Creation of transparent and efficient tax systems help bolster intra-societal relationships and the relationship between citizens and the state. Generating domestic revenue will pave the way for an eventual exit from aid dependency. According to ODA reports seven out of the ten most aid-dependent countries are fragile and suffer particularly from the volatility and uncertainty of external finance. The government can also build a contract between the state and the people. Resource mobilization through taxation forms the basis of bargaining between citizens and political leaders over their mutual duties and obligations. Through taxation, the population has a stake in supporting the state, and the state has an interest in being responsive because it relies on taxation to raise the revenues it needs to function and survive<sup>90</sup>. The government needs to strengthen the state by creating capacity and tools digital property databases and repositories that will benefit other state activities, such as civil registration, land registration or urban planning<sup>91</sup>. The government must strengthen intra-societal relationships adds the report. Studies have shown that in countries with high taxation, economic resources are distributed more equally, leading to greater social cohesion<sup>92</sup>. According to some scholars, these countries also had much greater success in achieving gender equality, and citizens were more likely to have a higher degree of trust in one another<sup>93</sup>.

Kenya's development partners will have to align their various country strategic policies and assistance programmes to Vision 2030, the various medium term plans, the revised Public

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<sup>90</sup> DFID: Building the State and Securing the Peace: Emerging Policy Paper: June 2008

<sup>91</sup> Fjeldstad and Moore: GIS Solutions for Urban and Regional Planning Designing and Mapping the Future of Your Community with GIS

<sup>92</sup> Christian von Haldenwang: Taxation, Social Cohesion and Fiscal Decentralization in Latin America, Bonn, ISBN 978-3-88985-393-6 (2008)

<sup>93</sup> Neil Brooks and Thaddeus Hwong: The Social Benefits and Economic Costs of Taxation: A Comparison of High- and Low-Tax Countries (2006)

Procurement and Disposal Act and other relevant Acts of Parliament, align their support to the country through use of GoK's country systems in budgeting, procurement, reporting, accounting, auditing and monitoring and evaluation. The report adds that donors will have to ensure that their support is integrated within the MTP framework and use the sector wide approaches and Sector Working Groups (SWGs) in planning, budgeting and implementation of programmes. Donors need to work closely with the National Treasury to ensure that development partner support is integrated into the MTEF (Medium-Term Expenditure Framework) to provide reliable indicative commitments of aid over a multi-year period. Secondly, development partners should submit expenditure returns to the National Treasury on resources channeled to non-state actors on a quarterly basis. Donors must seek to improve the predictability of aid flows and absorption of aid funding. Donors, adds the report must commit to update information on appropriation in aid in NIMES<sup>94</sup> including e-ProMIS<sup>95</sup> to ensure timely information and transparency in implementation of programmes/projects. Development Partners Group (DPG) must hold meetings for review and follow up on the effectiveness of their support to government.

According to this initiative, the government has a strong commitment towards aid transparency, better aid coordination, and increased aid effectiveness - open data to public, easily accessed anywhere, by anyone, at any time<sup>96</sup>. E-ProMIS will document empirically the short and medium-term effects of technologies on economic development at the moment of change as well as allow for better conceptualizations of how technologies can influence local, regional and global economic relationships. The report adds that this project will significantly contribute to

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<sup>94</sup> ActionAid: National Integrated Monitoring System: The Analysis of Local Budgets and Alternative Investment Models in Kenya: "A Case of Malindi and Tana River Local Authorities (LA's) (2011)

<sup>95</sup> Ministry of Finance Kenya: The Electronic Project Monitoring Information System for the Government of Kenya (eProMIS Kenya) is an automated information management system which is designed to improve efficiency and transparency of national development planning and coordination of reconstruction activities within the country.

<sup>96</sup> Peter M. Kamau: Mapping Development Projects in Kenya: The National Treasury (2013)

information on development, technology and economic change in the region. The report adds that Kenya is the first of a cluster of East African countries to have broadband connectivity; the implications for the larger region can be learned from the Kenyan case as broadband is ultimately brought to the East African region.

The Economic Stimulus Programme in 2009/10-2010/11<sup>97</sup> notes that eradication of poverty has not fully been achieved. Achievement of this goal has been hampered by frequent droughts and changing rainfall patterns owing to climate change. This programme has helped provide resources for purchase of rice and seed maize, rehabilitation of irrigation schemes, construction of water pans in arid and semi-arid areas, as well as development of fishing ponds as alternative sources of livelihood. According to the programme, the government has also enhanced resources going to existing safety nets and development of the livestock sector to support livelihood in arid and semi-arid regions. Overall, the Agriculture Sector Development Strategy (ASDS)<sup>98</sup> which has been launched is, key to the achievement of this MDG goal.

To achieve universal primary education for all in Kenya, primary school Net enrollment Ratio (NER) has increased from 73.7 % in 2000 to 91.4 % in 2010<sup>99</sup>, with continued provision of adequate resources under free primary school programme. The Government has also provided more resources for free tuition in secondary schools, thus helping the transition rates. Towards the attainment of gender equity and empowerment of women, the girl to boy ratio in primary school was 0.95% as at 2013, indicating that gender parity in primary schools is likely to be achieved. The new constitution provides for a minimum of 30 percent female representation in Parliament, as well as a third in government appointments. Successful implementation of this

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<sup>97</sup> International Monetary Fund: Kenya: Poverty Reduction Strategy Paper—Progress Report: IMF Country Report No. 12/10 (2012)

<sup>98</sup> Office of the President: Agricultural Sector Development Strategy 2010-2020

<sup>99</sup> Kenya: Poverty Reduction Strategy Paper - Progress Report

commitment under the new constitution is hoped for to help the country make strides in gender parity.

## **2.8 Conclusion**

Inflows of foreign exchange can increase inflationary pressures as well as cause real exchange rate appreciation and reduce economic growth. The government needs to be aware that this can be prevented by spending the available inflows on economically productive activities. Various scholars have found donor funding to be very unpredictable. Predictable flows of donor funding will allow more investment in physical and human capital, something that will also contribute to ensuring there are few harmful macroeconomic effects of increases in aid.



## Chapter Three

### The Role of Foreign Aid on Human Development in Sub-Saharan Africa

#### 3.1 Introduction

This chapter focuses on foreign aid and human development in sub-Saharan Africa. The chapter also discusses the perceived ‘fragility’ of the sub-Saharan African countries. The chapter dwells on the three geometric indices of human development, namely income, education and health. The chapter also examines growth and aid in sound economic policy environments.

#### 3.2. Foreign aid on Human Development in Sub-Saharan Africa

Sub-Saharan Africa’s human development has improved but is still struggling against inequality, low investment and disease. This research examines how foreign aid, good practices and policies can be designed to advance sustainable human development. Aid effectiveness in Africa is a highly contested issue among academic scholars. While some scholars<sup>100</sup> Jeffrey Sachs and Craig and Dollar and others<sup>101</sup> believe that aid is one development tool among several others. According to these scholars aid works best in conjunction with sound economic policies, transparency, good governance, and the effective deployment of new technologies they believe that foreign aid is a major liberator to economies of SSA, others<sup>102</sup> remain skeptical about the ability of aid in enhancing economic development in these countries.

Foreign aid to Africa counts as the flows that are provided to a specified list of eligible countries and institutions, the flows that are provided by official agencies with the promotion of

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<sup>100</sup> Jeffrey D. Sachs: *The End of Poverty: Economic Possibilities for Our Time*: The Penguin Press: New York (2005)

<sup>101</sup> Craig Burnside and David Dollar: *Aid, Policies and Growth*: The American Economic Review: Vol. 90 No. 4 (2000)

<sup>102</sup> 1) Milton Friedman: *Foreign Economic Aid*: Yale Review, 47 (4) (1958)

2) Peter Bauer: *Dissent on Development* (Cambridge: Harvard University Press (1972)

3) Easterly, William: *The Elusive Quest for Growth: Economists Adventures and Misadventures in the Tropics*: Cambridge: Massachusetts Institute of Technology Press (2001)  
(Among others scholars)



economic development and welfare as their main objective, flows that are concessional in character with a grant element of at least 25 per cent calculated at a discount rate of 10 per cent. According to the United Nations, "Official development assistance (ODA) plays an essential role as a complement to other sources of financing for development, especially in those countries with the least capacity to attract private direct investment..." the statement adds that "We (United Nations) recognize that a substantial increase in ODA and other resources will be required if developing countries are to achieve the internationally agreed development goals and objectives, including those contained in the Millennium Declaration. In that context, we urge developed countries that have not done so to make concrete efforts towards the target of 0.7 per cent of gross national product (GNP) as ODA to developing countries"<sup>103</sup>.

Development aid (DA) is assistance, which a country receives from another either directly or indirectly through a donor agency. DA can help to augment savings and investment in LDCs, which are characterized by low levels of savings and investment. Development aid or foreign aid inflows to Sub-Saharan Africa (SSA) have grown significantly in the post-war period. Many studies have tried to assess the effectiveness of aid at the micro- and macro-level. While micro evaluations have found that in most cases aid works, those at the macro-level are ambiguous<sup>104</sup>. This paper assesses the impact of development aid on FDI in Sub-Saharan Africa (SSA). Nathan Andrews<sup>105</sup> is one writer who feels that the growing gap between the developed and developing countries has dominated international relations and diplomacy for a long time. This gap has led to constant capital inflow from the developed countries to those in the Third

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<sup>103</sup>United Nations: The Monterrey Consensus: outcome of the Monterrey Conference, the United Nations International Conference on Financing for Development held in Monterrey, Mexico (2002)

<sup>104</sup> Ramesh D. et al: New Evidence on the Impact of Foreign Aid on Economic Growth: CREDIT Research Paper: Centre for Research in Economic Development and International Trade, University of Nottingham No. 98/8

<sup>105</sup> Nathan Andrews: Foreign aid and development in Africa: What the literature says and what the reality is: Journal of African Studies and Development Vol. 1(1) pp. 008-015, November, 2009

World including Africa with the goal of helping them overcome their problems and reduce the gap. Wealthy developed countries started giving aid to Africa in the 19<sup>th</sup> century. Among these nations were Germany, France as well as Britain. These countries began providing regular aid to support infrastructure. American industries like Ford as well as the Rockefeller foundation also began giving development aid around the same time. Yet despite all this aid, Africa's economic woes continue. This clearly shows that there is a gap that needs to be filled in an attempt to make aid more effective in Africa. Official Development Aid or ODA is the tool employed by the developed countries to deploy aid to Africa. Human development is the measure used by ODA countries to view success or otherwise of aid.

### **3.3. Human Development in Sub Saharan Africa**

Kosack<sup>106</sup> finds that aid has a positive effect on HDI growth but only in democratic countries. His estimates also suggest that aid will have a negative effect on HDI growth in autocracies. Interestingly, he finds that democracy alone has a negative effect on HDI growth. He interprets these findings as implying that more-democratic poor countries have, on their own, lower growth in the quality of life, but that aid to these countries may reverse this negative tendency. Amongst Africa south of the Sahara's most urgent priorities according a World Bank report<sup>107</sup> are, equipping Africa's growing youth with the right job skills, enhancing earning opportunities, improving educational enrollment quality at all levels, getting better human development outcomes for the money invested, breaking disease circles that are a drain to society, building stronger health systems for lasting results, developing sustainable innovative safety nets as well as making services work for the poor.

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<sup>106</sup>Stephen Kosack: Effective Aid: How Democracy allows Development Aid to improve the quality of life: World Development, 31(1):1 (2003)

<sup>107</sup>The World Bank: Building Human Capital in Africa: Human Development Africa Report (2014)

According to a Human Development report 2014<sup>108</sup>, approximately, 585 million people in SSA which is equivalent to 72% of the regions total population are with living in multidimensional poverty with little or no education, healthcare and living standards or are in the risk of falling into total poverty, that is at \$1.25 a day or worse. This group of people has almost no access to basic social services and almost no hope of escaping from this situation. The report adds that policies are needed to maximize people's opportunities and particularly to help invest in early childhood services, youth employment and support for the elderly. The eradication of poverty is not just about 'getting to zero' it is also about staying there says UNDP Administrator Helen Clark in the same report. The World Bank report adds that transition from agricultural based economies to industry and services, while supporting investments in infrastructure and education, social protection schemes, such as unemployment insurance and pensions, universal health coverage and cash transfers, like the Give Directly scheme in Western Kenya can help weather difficult times as well as invest in the future. Responsive and accountable governance institutions are also required as well as better global coordination efforts to help shore vulnerabilities are imperative, adds the report.

According to the latest Human Development Report<sup>109</sup> withstanding crises and redressing inequalities is key to Africa's continued progress. Social protection and more cohesive societies are required to secure the region's development gains. The report adds that Sub-Saharan Africa needs to intensify the battle against deprivation and prevent crises from setting back recent development advances made in various sectors of the various African countries economies.

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<sup>108</sup> Ramesh Durbarry et al: New Evidence on the Impact of Foreign Aid on Economic Growth No. 98/8: Centre for Research in Economic Development and International Trade, University of Nottingham (1998)

<sup>109</sup> UNDP: Human Development Report 2014: Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience (July 24 2014)

“Africa is enjoying higher levels of economic growth and well-being, but insecurity, as well as natural or human-induced disasters, persists in some parts of the region,” said Abdoulaye Mar Dieye, the Director of UNDP’s Regional Bureau for Africa in the report. “Withstanding crises and protecting the most vulnerable, who are the most affected, are key to ensuring development progress is sustainable and inclusive” continues Abdoulaye. Women and children according to the UN are the most affected. Tanzania has shown slight improvement in human development, due to achievements in income, health and education, a new survey indicates. The 2014 Human Development Report (HDI) indicates that the country moved one step higher from position 158 in 2012 to 159 in 2013 among 187 countries surveyed globally. Tanzania was the only country in East African in this year’s HD Index to move into a higher position with the rest, Kenya, Uganda, Burundi and Rwanda remaining in the same position. Despite the slight improvement, Tanzania, like other East African countries, remained in the low human development category. Positioned at number 147, Kenya tops the East African countries though Rwanda recorded the fastest growth in the past reports, for the year 2012 and 2013, the progress stagnated at 151, followed by Uganda on 164 and Burundi on 180, the same position from past two years. Sierra Leone, Chad, the Central African Republic, the Democratic Republic of the Congo and Niger are at the bottom. UNDP warns that human vulnerability is rising, mainly due to financial instability and mounting environmental pressures. These factors could reverse development gains, the report says.

### **3.3.1. Measuring Human Development**

Sub-Saharan Africa region lags behind the rest of the developing world in human development. Although the countries in SSA region have made progress, the region remains the least developed according to the HDI measurement. Forty-one of the 54 low human

development countries are in Sub-Saharan Africa. The table below shows the Human Development Index of the 10 countries in Sub-Saharan Africa which have the highest development index as well as those within the last 10 positions of the HDI. Africa's human development has improved but is still struggling against inequality and low investment in the continent's population. Poor health, knowledge and skills, along with high population growth, hinder the structural transformation that Africa needs despite its rapid economic growth<sup>110</sup>.

### 3.2.2. Human Development tables showing high

developed countries and lowest developed

countries

**HDI**

**Rank**

**Country**

**Change**

**compared**

**New 2014**

**between**

**Rank in Africa**

**Rank Worldwide**

**Estimates**

**2014**

**for 2013**

**report and**

**2013**

**report**







#### High human development 10 highest countries in Africa

1	55	 <u>Libya</u>	0.784	▼0.005
2	63	 <u>Mauritius</u>	0.771	▲0.002
3	71	 <u>Seychelles</u>	0.756	▲0.001

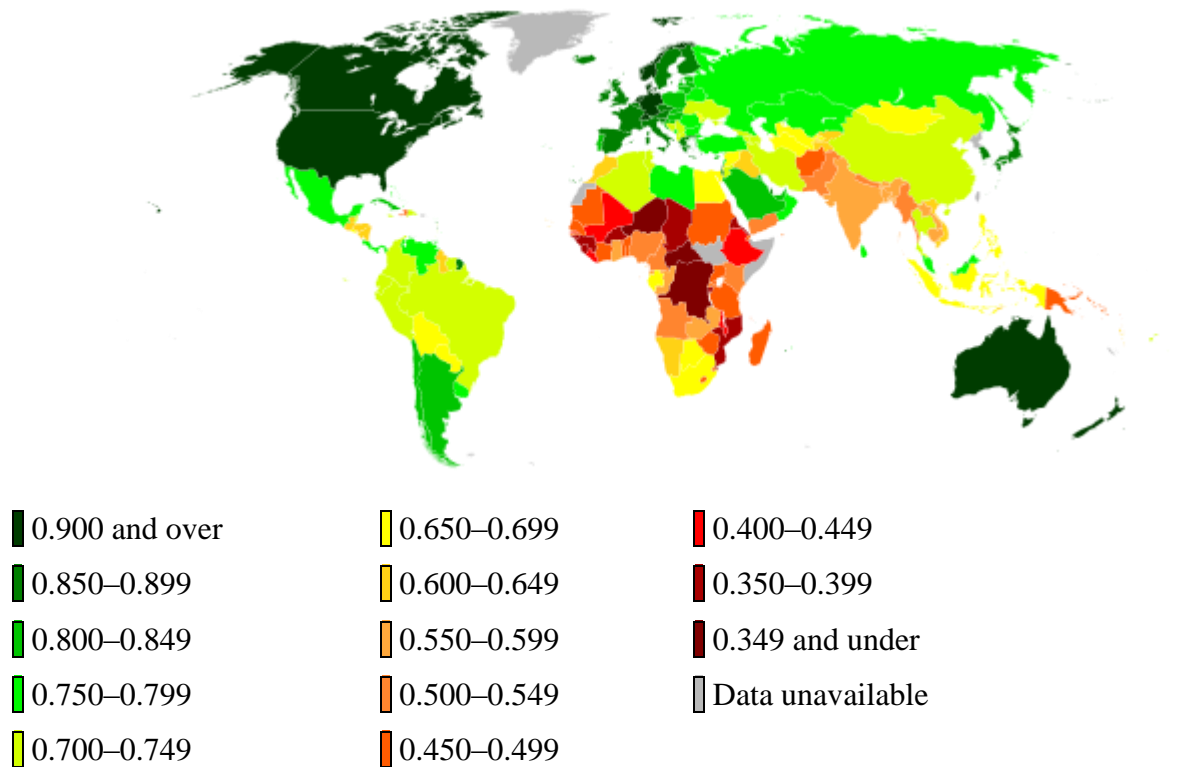
<sup>110</sup> A. Gauci and C. Tsafack Temah : Resilient human capital a precondition for structural transformation: (2011)

4	90	 <u>Tunisia</u>	0.721	▲0.002
5	93	 <u>Algeria</u>	0.717	▲0.002
6	109	 <u>Botswana</u>	0.683	▲0.002
7	110	 <u>Egypt</u>	0.682	▲0.001
8	112	 <u>Gabon</u>	0.674	▲0.004
9	118	 <u>South Africa</u>	0.658	▲0.004
10	123	 <u>Cape Verde</u>	0.636	▲0.001

#### Low human development 10 lowest countries in Africa

1	147	 <u>Kenya</u>	0.535	▲0.004
2	148	 <u>Swaziland</u>	0.530	▲0.001
3	149	 <u>Angola</u>	0.526	▲0.002
4	151	 <u>Rwanda</u>	0.506	▲0.004
5	152	 <u>Cameroon</u>	0.504	▲0.003
6	152	 <u>Nigeria</u>	0.504	▲0.004
7	155	 <u>Madagascar</u>	0.498	▲0.002
8	156	 <u>Zimbabwe</u>	0.492	▲0.008
9	159	 <u>Tanzania</u>	0.488	▲0.004
10	159	 <u>Comoros</u>	0.488	▲0.002

The map below indicates the World Human Development Index based on 2013. Data published on July 24, 2014<sup>111</sup>.



The United Nations Human Development Index measures a country's average achievements in areas of health, income and knowledge. The Human Development Index is the geometric mean of three indices, namely health, education and income:  $HDI = (I_{Health}, I_{Education}, I_{Income})^{1/3}$ . For each indicator of the HDI individual indices can be computed according to the following general formula:

$$\text{Index} = \frac{\text{Actual value} - \text{Minimum Value}}{\text{Maximum Value} - \text{Minimum Value}}$$

<sup>111</sup> Human Development Report 2014: Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience: HDRO United Nations Development Programme (2014)

According to HDI 1996<sup>112</sup> findings, the underlying principle of the HDI is that it indicates a country's relative position on an HDI scale between 0 and 1 (as compared with the rest of the world). Countries with an HDI below 0.5 are considered to have a low level of human development, those between 0.5 and 0.8 (0.5 up to just less than 0.8) a medium level and those of 0.8 and above as a high level of human development. Longevity is measured with life expectancy at birth as the only indicator. The minimum and maximum values for life expectancy at birth are 25 years and 85 years respectively. Educational attainment is measured by two educational variables, namely adult literacy and combined gross primary, secondary and tertiary enrolment ratio. The educational attainment index is then obtained by assigning a weight of two thirds to adult literacy and one third to the combined gross primary, secondary and tertiary enrolment ratio. The minimum and maximum values for both are 0% and 100% respectively. The standard of living is measured by GDP per capita, expressed in PPP US\$. The minimum and maximum values are PPP US\$ 100 and PPP US\$ 40,000. The gross domestic product (GDP) per capita converted to the purchase power parity (PPP\$) for the purpose of international comparability.

In 2012 the Seychelles reached the top level of the UN Development Programme's Human Development Index (HDI), highlighting advances made on the continent to improve education, health and social wellbeing. The Human Development Report 2014 shows that between 2000 and 2013, Sub-Saharan Africa had the second highest rate of progress in the Human Development Index (HDI). Rwanda and Ethiopia achieved the fastest growth, followed by Angola, Burundi, Mali, Mozambique, the United Republic of Tanzania and Zambia. Despite this progress, Sub-Saharan Africa remains the most unequal region in the world, according to

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<sup>112</sup> Stats SA: Human Development Index: <http://www.statssa.gov.za> (1996)



UNDP's Coefficient on Human Inequality. The areas of priority for Social Protection support include: the development of social protection strategies; risk assessments; pension reform; and the implementation of safety nets for vulnerable groups. This work focuses on the protection of the elderly and poor; assisting orphans and the disabled; income support to households hurt by economic shocks; and prevention of critical shortfalls in consumption for poor households. The Social Protection strategy targets assistance to individuals, especially vulnerable children and youth, while scaling up support to poor households and communities to manage income risks better.

According to UNDP<sup>113</sup>, Human development is defined as the process of enlarging people's freedoms and opportunities and improving their well-being. The Human Development Index (HDI) is a statistical tool used to measure a country's overall achievement in its social and economic dimensions. The social and economic dimensions of a country are based on the health of people, their level of education attainment and their standard of living<sup>114</sup>. Whether or not human development can be precisely measured against these three variables is still not clear – it all depends on judgement<sup>115</sup>. The origins of the HDI are found in the annual Development Reports of the United Nations Development Programme (UNDP). These were devised and launched by Pakistani economist Mahbub ul Haq in 1990 and had the explicit purpose "to shift the focus of development economics from national income accounting to people-centered policies".

The Human Development Index (HDI) represents the uniformly weighted sum with  $\frac{1}{3}$  contributed by each of the following factor indices:

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<sup>113</sup> UNDP: Human Development Report 1990, New York: Oxford University Press (1990)

<sup>114</sup> The Economic Times

<sup>115</sup> Niels C. Lind: Some Thoughts on the Human Development Index: Social Indicators Research, Vol. 27, No. 1 (1992)

$$\text{Life Expectancy Index} = \frac{LE - 25}{85 - 25}$$

$$\text{Education Index} = \frac{2}{3} \times ALI + \frac{1}{3} \times GEI$$

$$\text{Adult Literacy Index (ALI)} = \frac{ALR - 0}{100 - 0}$$

$$\text{Gross Enrollment Index} = (GEI) = \frac{CGER - 0}{100 - 0}$$

$$\text{GDP} = \frac{\log(GDP_{pc}) - \log(100)}{\log(40000) - \log(100)}$$

Other organizations/companies may include other factors, such as infant mortality, which produces different number of HDI.

HDI was created to emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth alone. The HDI can also be used to question national policy choices. It is important to note that HDI does not reflect on inequalities, poverty, human security and empowerment.

The educational component of the HDI comprises adult literacy rates and the combined gross enrolment ratio for primary, secondary and tertiary schooling, weighted to give adult literacy more impetus in the statistic. Since the minimum adult literacy rate is 0% and the maximum is 100%, the literacy component of knowledge for a country where the literacy rate is 75% would be 0.75; the statistic for combined gross enrolment is calculated in a analogous manner. Life expectancy component is calculated using a minimum value for life expectancy of 25 years and maximum value of 85 years so the longevity component for a country where life expectancy is 55 years would be 0.5. Minimum income is \$100 (PPP) and the maximum is \$40,000 (PPP). The HDI uses the logarithm of income, to reflect the diminishing importance of

income with increasing GDP. The scores for the three HDI components are then averaged in an overall index.

Why Education, health and Income and not other parameters is a question is of importance to this research. These are the basic building blocks of well-being and opportunity according to the United Nations. Education and training is crucial for economies that want to move up the economic ladder beyond simple production processes and products. Education is crucial for economies that want to move up the value chain beyond simple production processes and products<sup>116</sup>. Access to income may be another component of development, but wealth generated for the common good is another. Long life expectancy in good health is certainly also an important component. Literacy helps people to obtain and hold a productive employment and also helps them to understand their surroundings and culture.

### **3.3.3. Education Index**

The educational component of the HDI comprises adult literacy rates and the combined gross enrolment ratio for primary, secondary and tertiary schooling, weighted to give adult literacy more impetus in the statistic. Since the minimum adult literacy rate is 0% and the maximum is 100%, the literacy component of knowledge for a country where the literacy rate is 75% would be 0.75; the statistic for combined gross enrolment is calculated in a analogous manner. Education is a critical determinant of the well-being of future generations, especially for females, because it contributes to future potential income and can improve parental child-rearing practices. This has emerged from Asia where rising investments in the 1960s and

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<sup>116</sup>1) T. Schultz: "Investment in human capital", *American Economic Review*, Vol. 51 (1) (1961)

2) R. Lucas: "On the mechanics of economic development", *Journal of Monetary Economics*, Vol. 22, pp. 3-42 (1988)

3) G. S. Becker: *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education*, 3<sup>rd</sup>

4) Edition. Chicago: University of Chicago Press (1993)

M. Kremer: "The O-Ring Theory of Economic Development." *Quarterly Journal of Economics* 108 (3) (1993)

1970s in education established the human capital for the economic growth that followed<sup>117</sup>. According to the Universal Declaration of Human Rights "everyone has a right to education." In addition to the basic physical needs such as food, health and shelter, children also have strong innate needs to learn and acquire skills, knowledge, attitudes, and habits that foster personal development. This is according to a report by the World Bank<sup>118</sup>. To fully develop their potential as members of society, or simply as human beings, these need. The education profile of African children is characterized by low enrollment and high attrition in primary schools and the poor participation in secondary and tertiary levels have to be satisfied in a caring environment. Low primary enrollment levels and high repetition and drop-out rates in many Sub-Saharan countries are in large part due to poor investment in children before entry. This is compounded by poor quality and low efficiency in the existing primary school systems. The gross enrollment ratios (GER) indicate that the Sub-Saharan Africa region lags considerably behind others. About 50 percent of the total primary school children in Sub Saharan Africa are out of school. Should this trend continue, UNESCO reckoned in 1993 that numbers of such children would increase dramatically<sup>119</sup>.

Medical education is an area of importance aimed at achieving better health in Sub-Saharan Africa. Towards this end, a US funded effort geared towards increasing enrollment, broadening curricula, upgrading Internet access and providing skills labs and other technologies is now making rounds in Sub-Saharan Africa. Medical Education Partnership Initiative (MEPI) the Medical Education Partnership Initiative (MEPI) is a coordinated effort led by the Office of the U.S. Global AIDS Coordinator (OGAC). Amongst its many functions, many of which are centred on health, the Medical Education Partnership Initiative (MEPI) has awarded grants to

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<sup>117</sup> World Bank: Social Indicators of Development(1995c)

<sup>118</sup> Nat J. Colletta et al: The Condition of Young Children in Sub-Saharan Africa: World Bank Technical Paper No. 326 Africa Technical Department Series break (1996)

<sup>119</sup> UNESCO: Education for All: Status and Trends Paris (1993)

African institutions in a dozen countries, forming a network including about 30 regional partners, country health and education ministries. Botswana, Ethiopia, Kenya, Mozambique, Nigeria and South Africa are some of the countries in Sub-Saharan Africa that have partnered with MEPI.

#### **3.3.4. Health Index**

Health is an important aspect of human development. Countries in Sub-Saharan Africa have forged regional and global alliances towards this end. The World Health Organization is at the forefront of this venture. According to Dr. Deo Nshimirimana, Director, Immunization and Vaccine Development WHO<sup>120</sup>, “WHO is committed to continue supporting Ministries of Health to formulate immunization policies and strategies to improve immunization service delivery, ranging from accelerating uptake of all available vaccines to application of innovation and findings from research and development, linkages between immunization and other health interventions”. WHO is also involved with several other country projects in Sub-Saharan Africa; in Uganda for instance, WHO/EAC regional meeting on alternative livelihoods to tobacco growing; in Ethiopia WHO and the local health ministry has taken steps for Dengue Prevention and Control; in South Sudan President Salva Kiir Mayardit recently opened the Wau Maternity complex theatre, waiting Home, Regional Blood transfusion service and specialized Laboratory services in Wau city Teaching Hospital, Western Bahr Ghazal state which are all initiatives of the World Health Organization. These are just a few projects that WHO has initiated in partnership with member countries in SSA. Life expectancy component is calculated using a minimum value for life expectancy of 25 years and maximum value of 85 years so the longevity component for a country where life expectancy is 55 years would be 0.5. Minimum income is \$100 (PPP) and the maximum is \$40,000 (PPP).

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<sup>120</sup>WHO: The African Health Regional Report: The Health of the People: WHO Regional Office for Africa (2006)

### 3.2.5. Income Index

One scholar<sup>121</sup> feels that a poor person is someone whose income falls below the poverty threshold, defined as the minimum income below which an individual in a given society. The scholar feels that income and infant growth and mortality rates go hand in hand because children from families living in extreme poverty very often demonstrate growth problems (stunting, poor weight gain). Without income, people cannot satisfy their basic needs, which according to UNDP<sup>122</sup> defines human poverty.

According to UNDP a poor person, from a human-development perspective, lacks basic capabilities. She/he lacks sufficient income, is insufficiently educated, and suffers poor health. As a result of these deprivations, she/he is excluded from society, because she/he cannot participate fully as a citizen in its workings (collective decision making). A poor person cannot contribute to debates on poverty, and does not have any opportunity to voice an opinion, even on the appropriateness of anti-poverty policies. This is the situation in sub-Saharan African where poverty is analysed from beginning to end by government personnel not directly affected by the phenomenon adds the report. The result is poor targeting of poverty-reduction policies, and the misappropriation of project finances intended for combating poverty.

According to UNICEF reducing inequities across regions and income groups is an important priority to save children's lives. Sub-Saharan Africa's under-five mortality rate, 92 deaths per 1,000 live births in 2013, is more than 15 times the average for developed regions according to the same report. A child's risk of dying before age five increases if she or he is born in a remote rural area, into a poor household or to a mother with no education<sup>123</sup>. The HDI uses

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<sup>121</sup> Jean Claude Saha: Reducing Poverty in Sub-Saharan Africa: The Need for Participatory Governance: Development in Practice, Vol. 18, No. 2 (Apr., 2008)

<sup>122</sup> UNDP: Human Development Report, New York, NY: Oxford University Press (1997)

<sup>123</sup> UNICEF, Progress for Children: Achieving the MDGs with Equity 2010, Number 9, New York (2010)

the logarithm of income, to reflect the diminishing importance of income with increasing GDP. The scores for the three HDI components are then averaged in an overall index.

### **3.4. Fragility in Sub Saharan Africa**

Africa is ranked under the term “alert” in the world’s fragile states ranking<sup>124</sup>. Whilst there is no internationally-agreed definition of the term ‘fragile states’, or ‘fragility’, most development agencies define it principally as a fundamental failure of the state to perform functions necessary to meet citizens’ basic needs and expectations. Fragile states are commonly described as incapable of assuring basic security, maintaining rule of law and justice, or providing basic services and economic opportunities for their citizens. Accordingly, the OECD DAC fragile states are those states that are ‘unable to meet their population’s expectations or manage changes in expectations and capacity through the political process’ OECD<sup>125</sup>. DFID defines fragile states as ‘those where the government cannot or will not deliver core functions to the majority of its people, including the poor’ DFID<sup>126</sup> increasingly, weak state legitimacy is understood to be a key defining characteristic of fragility. States that fail to meet basic needs and to keep societal expectations and state capacity in equilibrium can also fail to establish reciprocal state-society relations or create a binding social contract. The Centre for Research on Inequality and Social Exclusion, for example, defines fragile states as ‘failing, or at risk of failing, with respect to authority, comprehensive service entitlements or legitimacy’ CRISE<sup>127</sup>.

The fragile states terminology has been criticized as being stigmatizing and analytically imprecise. In view of this development agencies are now increasingly favouring the much broader terminology of ‘fragility’ or ‘situations of fragility’. These terms are also seen to better

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<sup>124</sup> The Term “Fragile States” was coined by GSDRC to help guide policy research.

<sup>125</sup> OECD: Concepts and Dilemmas of State Building In Fragile Situations: From Fragility To Resilience: (2008)

<sup>126</sup> DFID: Why We Need To Work More Effectively With Fragile States(2005)

<sup>127</sup> CRISE Centre for Research on Inequality, Human Security and Ethnicity : Fragile States (2010)

capture the fact that fragility is not exclusively determined by the nature and boundaries of states there is a need to look beyond the state to the state of society in assessing and addressing fragility. Kenya lies number 18 worldwide in the fragile state ranking. 10 of the world's most fragile states ranked under "very high alert", "high alert" and "alert" are all from Africa<sup>128</sup>. According to OECD<sup>129</sup> aid remains the largest source of development finance for fragile least-developed countries, while remittances from migrants have outpaced aid in other fragile states. Those transfers could be used to finance development; this report provides insights on how to do this. The report also finds that fragile states only collect 14% of their GDP in taxes on average, well below the 20% UN benchmark viewed as the minimum needed to meet development goals. Yet a mere 0.07% of official development assistance (ODA) to fragile states is directed towards building accountable tax systems. The report therefore asks how donors can use their aid to support fragile states in mobilizing more domestic revenue. Ending poverty in Africa means supporting fragile states to develop and become self-sustaining. Of the seven countries that may not meet the MDG goals, six are fragile states and are in Africa with one third of their people living on less than \$1.25 per day. The report adds that by 2018, the world's extremely poor will be from fragile states.

According to Fragile States Index 2014 report<sup>130</sup>, Aid has been the largest and most reliable source of development finance for the least developed fragile states over the past decade. Development Assistance can even contribute up to 55% of these states GDP. Development Assistance is however, showing a worrying downward trend: official development assistance (ODA) to fragile states fell by 2.4% in 2011 and is expected to shrink further. The least

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<sup>128</sup> The Foreign Policy Magazine(2014)

<sup>129</sup> OECD: Fragile States 2014: Domestic Revenue Mobilization in Fragile States: (2014)

<sup>130</sup> Fragile States Index 2014: The Fragile States Index is published in the July-August edition of Foreign Policy magazine



developed fragile states with the highest needs are losing out the most. Most fragile states and states that are at the risk of fragility are under-aided. Africa has 29 fragile states – fragility in this can be described as demographic pressure such as natural disasters, disease, malnutrition, youth bulge, and population growth, food scarcity and environmental calamities. Fragility can also come as a result of population displacement as a result of conflict or disease, uneven economic development such as GNI coefficient, Urban-Rural service distribution, and rise in slum population. Human rights abuse can also cause state fragility. Brain drain as well as economic flight can also cause fragility. Political and military indicators like lack of legitimacy in governance, corruption and insecurity can cause a state to be described as fragile.

According to ODA aid to fragile states has become less volatile over the past decade. Aid measured in terms of country programmable aid has become more reliable to fragile LDCs. A new development framework is being debated in the run-up to 2015, the target date for the Millennium Development Goals. It is being speculated that the new framework might see donors start to divert aid away from traditional sectors such as health and education towards investments in security, rule of law and governance. However, trends in fragile states where peace and security needs are highest show no evidence of such a shift. Countries that have seen their share of funding in these sectors increase drastically.

Sub-Saharan Africa is the last remaining region of the world where official aid inflows outstrip private capital inflows, and they do so by a large margin even after debt service outflows have been netted out. Africa is aid dependent, not only in terms of the quantity of aid but in terms of the institutional mechanisms of this aid flow. This massive quantity of aid does not seem to be helping African development. Aid conditionality has failed in Africa, and there is very little chance of recovery from this failure under current institutional arrangements.

Development has not lived up to expectations in Africa. After the initial post-independence boost in per capita income growth, serious decline set in. An overview of African economic performance is provided by Collier and Gunning<sup>131</sup>

Accounts of aid failure in Africa are many, ranging from journalistic reports to detailed academic studies. These studies forget that there were major interventions in this area in the 1960s and 1970s, when agencies attempted to channel credit to rural small holders through apex agencies which lent to rural banks and then on to cooperatives and the like. There were individual successes, of course, but by and large these efforts have been judged to be failures. Infrastructure is another success. Roads are back in fashion, billions of dollars in aid, and in local resources have been poured into African infrastructure.

### **3.5. Relationship between growth and aid**

This research also considers three relationships, first, the relationship between growth and aid, good macroeconomic policy environment, second an aid allocation equation giving the relationship between aid flows to a country and a number of country specific variables, especially the macroeconomic policy environment variable; and third, a relationship between the macroeconomic policy environment and aid flows. While the data and estimation techniques are not very accurate, the results shed light. Burnside and Dollar find that when aid flows into good policy environments it helps growth. The second relationship reveals why there is no simple correlation between aid and growth. These studies find that aid does not always flow to countries with good policy environments. But, it might be argued, there need be no relationship between aid flow and policy environment if aid flows initially to bad policy environments as an

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<sup>131</sup> Paul Collier and Jan Willem Gunning: Explaining African Economic Performance: Revised 19 June 1997: Published in the Journal of Economic Literature, March 1999

inducement or support for them to improve. The third relationship finds that aid does not induce good policy environments to emerge at all. Almost all aid to Africa is tied to some conditionality. In fact the Burnside and Dollar requirement that all aid be tied to good policy environment has been borrowed by the World Bank and clearly shows that no aid is really without conditions. Consequently, independent policy making and economic management by the recipients in Africa is lacking.

Foreign aid is aimed at promoting development. ‘Development is progress, be it economic, social or cultural, that serves the basic needs of both today and tomorrow. Development is self-sustenance on the socio-economic and political levels. Development means growth. Under development occurs when these basic needs and freedoms are denied or not equally accessible to all members of the populace. Development means improvement on GDP per capita although a decline in GDP does not necessarily mean under development. In an IMF seminar publication in 1995, Jaycox argues that although “the destiny of Africa lies in the hands of Africans,” Africa will still need international support to overcome its macro-economic challenges. He says that international donors can help African countries build the capacity to take ownership of their development. This is embodied in the World Bank’s six guiding principles, namely, selectivity, results orientation, client orientation, cost-effectiveness, financial integrity and partnership. Recipient countries, on the other hand, adds the report, are expected to put in place certain measures to make aid more effective: transparency, public expenditure reviews, public investment programs, donor support of government programs and medium fiscal programming<sup>132</sup>. Scaling up of aid in Africa is necessary. This in the long term will assist Africa

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<sup>132</sup> Christensen BV: Review of Issues of Aid Effectiveness. In Claire L, ed.: External Assistance and Policies for Growth in Africa. International Monetary Fund, Washington D.C. (1995)

to identify key policies and measures that can help it absorb higher levels of aid and ensure its effective use.

For such a long-term financial program to be effective amidst the growing uncertainty of the impact of aid on real growth rates, one has to assess aid expenditure and the policy environment into which it will be disbursed, an environment in which corruption is reduced. Effective governance, including capable bureaucracies, has been suggested as key to Africa's development problems. To ascertain aid effectiveness in Africa, the 2005 Paris Declaration on Aid Effectiveness has to be followed. The declaration focused on country ownership, donor harmonization, alignment to recipients' national development strategies, managing for results and mutual accountability between donors and partner countries is the best way to increase the impact aid has in reducing poverty and inequality, increasing growth, building capacity and accelerating achievement of the MDGs.

### **3.6. Aid does not induce good policy environments to emerge at all**

The general consensus amongst scholars is that today, aid is underused and badly targeted. There is too little aid and too much of what is provided is weakly linked to human development. According to the 2005 Human Development Report (United Nations Development Programme 2005) there is a general consensus that foreign aid's first objective should be human development. In 2000, governments from various countries met at the United Nations and signed the Millennium Declaration, a pledge "to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty." One way of achieving these goals is through development assistance United Nations Development Programme<sup>133</sup> this advice has been widely accepted in the donor community especially in the immediate years of signing the MDGs.

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<sup>133</sup> United Nations Development Programme (2005)

Aid is a major factor in the development successes of some SSA countries. Aid has funded roads constructions, agricultural reforms, education, healthcare reforms, employment opportunities creation, censuses, and elections and so on. According to Comprehensive Africa Agriculture Development Programme (CAADP)<sup>134</sup> in 2006, The Millennium Challenge Corporation of the United States of America signed a \$547m compact with the Republic of Ghana aimed at reducing poverty levels. This was to be achieved by raising farmers' income through a vibrant private sector led agri-business revolution. This has been the single largest donor support to Ghana in its history. Similar agreements have been signed with other countries like Benin, Burkina Faso, Cape Verde, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Morocco, Mozambique, Namibia and Niger (MCC,2006) According to the United Nations 2011 Millennium Development Goals Report, the continued aid support has led to visible and measurable improvements in the lives of the developing world. In particular, poverty levels continue to decline, SSA recorded the highest recorded percentage point increases in school enrolment, malarial deaths continue to decline, targeted interventions have reduced child mortality and investments in treating and preventing HIV is yielding positive results.

The trade policy framework for the European Union for Sub-Saharan Africa is based upon the Economic Partnership Agreements (EPA) agreed under the Cotonou Partnership Agreement with African, Pacific and Caribbean countries. According to the European Report on Development<sup>135</sup> poor will or inability to mobilise for preventive policies and action are amongst the problems that the partnership faces. The partnership's aim is to comply with the internationally agreed rules of the WTO and particularly to formulate guidelines for adoption by

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<sup>134</sup> Comprehensive Africa Agriculture Development Programme (CAADP): West Africa Regional CAADP Nutrition Program Development Workshop Nutrition Country Paper : Ghana (2006)

<sup>135</sup> Fernanda Faria and Andrew Sheriff: European Report on Development: EU Policies To Address Fragility in Sub-Saharan Africa: (2009)

the least developed countries. The Cotonou Agreement unfortunately appears to benefit East, West and Southern Africa but parts of Central Africa from where several fragile states with largely unexploited, productive trade potential appear to be left out adds a report by EEC<sup>136</sup>. The agreement framework is aimed at facilitating political dialogue, development support and economic and trade cooperation.

In West Africa, Côte d'Ivoire and Ghana, the agreement covers goods and development-cooperation and includes rendezvous clauses providing for further negotiations on services and rules chapters. In Central Africa, both sides of the negotiations have discussed market access, services, cultural cooperation and accompanying measures. Progress has also been made on the text of the agreement. The negotiations are currently delayed because of the situation in the Central African Republic. Talks are expected to end by the end of 2014. In the ESA region, or the Eastern and Southern African region negotiations of the regional EPA took place in Mauritius in November 2011 on the basis of a joint draft text. Further progress in the negotiations is linked to presentation of the market access offers for both goods and services by the ESA states. Other open issues are inter alia export taxes, special agricultural safeguards, rules of origin and export subsidies, non-execution clause, institutional provisions and dispute settlement. In the East African Community region adds the report, Burundi, Rwanda, Tanzania, Kenya and Uganda initialed a framework EPA (mainly dealing with trade in goods) on 28 November 2007, and are now negotiating a comprehensive regional EPA. The framework agreement has not been signed or ratified. Following a Ministerial meeting on 30 January 2014 in Brussels, Technical and Senior Officials met in Nairobi on 25-27 March and made substantial progress. Outstanding issues were the export taxes and the non-execution clause. The SADC region never ratified their bit of the agreement but they produced an Agreement that should

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<sup>136</sup> EEC: Overview of EPA Negotiations: Updated July 2014

replace the interim EPA signed by the EU and by Botswana, Lesotho, Mozambique and Swaziland in June 2009 continues the report. The table below shows the partnership countries.

3.6. The map below shows the Economic Partnerships Agreement – A New Approach in EU-ACP Trade Relations. The dark colour indicates the countries that fall within the partnership.



China has strong ties with Sub Saharan Africa. This relationship facilitates the production of stronger African economies in exchange for manufactured goods and natural resources that China desperately seeks. Some Chinese foreign assistance partially resembles official development assistance (ODA) as defined by the Organization for Economic Cooperation and Development (OECD), but in other aspects shares characteristics of foreign investment. Relative to major OECD donors, China donations are considerably smaller. China is fast becoming a top trading partner to Africa. China's venture into the foreign aid world formerly dominated by the west has tended to raise speculations in the western world<sup>137</sup> According to Thomas Lum et al.,<sup>138</sup> Few of China's foreign aid activities fit the Organization for Economic Co-operation and Development's (OECD) definition of ODA "flows of official financing to developing countries provided by official agencies which have a clear development or anti-poverty purpose and are at

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<sup>137</sup> Thomas Lum: CRS Report RL34620: Comparing Global Influence: China's and U.S. Diplomacy, Foreign Aid, Trade, and Investment in the Developing World.

<sup>138</sup> Thomas Lum et al.,: CRS Report For Congress: China's Foreign Aid Activities in Africa, Latin America and South East Asia(2009)

least partially concessional in nature,” China’s aid projects to a large extent serve its own development needs, facilitating the export of raw materials to China, and requiring that 50% of project materials and services are to be sourced in the China.

According to a report Outcome Document of the Regional Consultations on the Post-2015 Development Agenda drafted by the Millennium Development Goals (MDGs) have focused global advocacy and collective action around a core set of goals, indicators and targets to reduce poverty and human suffering with 2015 as the target year. With the realization that 2015 was first approaching, African stakeholders namely, the Economic Commission for Africa (ECA), the Africa Union Commission (AUC), the African Development Bank (AfDB) and the United Nations Development Programme’s Regional Bureau for Africa (UNDP/RBA) initiated a series of processes, including national, regional and continental consultations, aimed at articulating an African common position on the post-2015 development agenda<sup>139</sup>. Africa needs to maintain prudent fiscal frameworks consistent with debt sustainability. Sovereign bonds present African countries with relatively inexpensive new source of external finance for economic growth. This is crucial for deriving lasting benefits from additional financing. Such bonds can support economic growth and transformation.

The Africa Commission<sup>140</sup> set up by the Danish government proposes far reaching changes in international development aid to Africa. Among the Danish Governments proposals were the creation of an African Guarantee Fund in partnership with the African Development Bank, aimed at mobilizing loans of three billion USD and reducing the cost of access to finance for small and medium-sized enterprises. According to the donor, more than three-quarters of

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<sup>139</sup> United Nations Economic Commission for Africa: Outcome Document of the Regional Consultations on the Post-2015 Development Agenda: Dakar, Senegal 10-11 December 2012

<sup>140</sup> Research and Policy Analysis: The Africa Commission: Support for private sector in focus of final report of Danish Africa Commission



Africans lack access to electricity and this is a major constraint to economic development in this regard, a new initiative was launched in partnership with the EU and the African Development Bank to ensure access to energy at the local level. Another recommendation of the fund was to improve the business climate and Africa's competitive edge by making sure that the World Economic Forum's Global Competitiveness Report covers all African countries. Providing advisory services and access to finance in order to allow young people to translate their good ideas into practical plans was another of the donor's conditions. Support for higher education and research was also recommended. Danish aid efforts were also promised to be doubled.

In Ethiopia, the Canadian Fund for Africa has set up a fund whose main agenda is has been to strengthen the human and institutional capacities of African Governments to formulate and implement sound trade policies and participate more effectively in trade negotiations at the bilateral, regional and multilateral levels. African Trade Policy Centre (ATPC)<sup>141</sup> was established in June 2003. Other objectives of the fund are attaining sustainable and inclusive growth through structural transformation, strengthening Sub-Saharan Africa's role in the global trade arena as well as promoting regional integration, in the spirit of collective development.

The Africa Region of the World Bank has worked to increase its assistance for the development and implementation of Adult Basic Education (ABE)<sup>142</sup> programs. This is in line with the Bank's increased focus on helping African countries accelerate their progress towards Education for All. The ABE programs are targeted at adults (particularly women) and out-of-school youth, have literacy and numeracy as a core, and include other elements defined by

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<sup>141</sup> United Nations Economic Commission Report: About APTC: (2003)

<sup>142</sup> Jon Lauglo: Engaging with Adults: Africa Region Human Development Working Paper Series: The Case for Increased Support to Adult Basic Education in Sub-Saharan Africa: Human Development Sector Africa Region, The World Bank.

demand and context. Literacy and basic education are key skills in helping the poor extract themselves from the conditions causing poverty. The World Bank has helped finance implementation of ABE programs in Ghana, Senegal and Côte d'Ivoire. The World Bank is continuously recognizing that improving the basic education status of women in Sub-Saharan Africa is a pre-requisite to achieving the development goals of enhancing agricultural productivity, improving the health and nutrition status of the family, and reducing fertility. Investment by the World Bank into adult and child education has not been without challenges. There are theories of learning<sup>143</sup> that imply that adult illiterates' capacity for learning to read with good fluency will be severely constricted by age; therefore, ABE cannot be expected to enable illiterate adults to read significant amounts of text or read with comprehension. Secondly, Bank policy favored non-formal education strongly, but the clients commonly want projects supporting formal schooling. Romain and Armstrong found that "it is difficult to establish the determinants of success, limited success and failure in the literacy components." But very little information existed about the success of these literacy components in the project documentation they surveyed. None of their comments are based on retention rates, learning outcomes, or impact. According to Jon Lauglo<sup>144</sup>, in the absence of these evaluations it is difficult to comment on ABE's learning outcomes and impact, and which could track implementation under more favorable conditions than what pertained in the projects covered by Romain and Armstrong, a weakly founded "impression of failure" has probably served to sustain skepticism towards ABE among those officials and agency staff who have lacked personal familiarity with ABE projects.

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<sup>143</sup> Romain Ralph I. and Lenor Armstrong: Review of World Bank Operations in Non formal Education and Training. World Bank Discussion Paper Report No EDT63 (1987)

<sup>144</sup> Jon Lauglo: Engaging with Adults: Africa Region Human Development Working Paper Series (1987)

### 3.7. Conclusion

Development requires more than sound economic management. The challenge of improving human development demands that Africans south of the Sahara that they make careful, well-informed trade-offs that maximize the rate of economic growth, with the most impact on poverty alleviation. If Africa is to meet the UN MDG indicators<sup>145</sup>, it must achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS and other diseases, ensure environmental sustainability. The pandemic of HIV/AIDS casts a shadow over human capital accumulation, workforce stability and productivity in the region. Under funding of health programmes, prostitution and chronic unemployment all affect human development in Sub-Saharan Africa. Africa must resolve to reduce the devastating impact of the disease. The answer to socio-economic revitalisation does not lie with governments alone, nor with private entrepreneurs and voluntary organisations alone. Past strategies that emphasized only government involvement must be replaced with everyone's involvement. New approaches and strategies, institutions and processes of development management will be needed to achieve co-operation and co-ordination in all sectors. Management and institutional capacity at all levels has to become a vital requirement for sustained and sustainable development in the region. Sub-Saharan Africa, must adopt strategies and policies of development at the centre of which human development dominate.

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<sup>145</sup> United Nations: The Millennium Development Goals Report: (2009)

## Chapter Four

### Opportunities and Measures for Improving Foreign Aid in Kenya

#### 4.1 Introduction

This chapter discusses the opportunities and measures for improving foreign aid in Kenya. The chapter analyses policy based humanitarian official development assistance both at the bilateral level and multilateral level and how foreign aid efficacy can be achieved and strengthened.

#### 4.2 Foreign Aid Policy in Kenya

"To free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty" was a declaration made in 2000 when governments around the world met at the United Nations Headquarters to sign the Millennium Declaration." One way of achieving these goals is through development assistance<sup>146</sup> (United Nations Development Programme 2005).

Aid to Kenya is policy based. International donors supporting Kenya's development strategies have increasingly tied aid to the implementation of policy and sectoral reforms. Kenya's foreign aid regime can be termed as multilateral bilateralism<sup>147</sup>. The dominant source of funds has been bilateral, but aid programmes are nationally financed and administered, and are guided and harmonised through multilateral agencies and structures like the World Bank, the DAC of the OECD, and the various regional development banks. Bilateral donors to Kenya are the UK, France, China, Germany, Japan, Canada, Finland, Norway, Sweden and USAID. China is the largest bilateral Development Partner, focusing on infrastructure. This research examines

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<sup>146</sup> United Nations Development Programme: Aid for the 21st century: Human development Report. New York: Oxford University Press. (2005)

<sup>147</sup> Marc Williams: Aid, Sustainable Development And The Environmental Crisis: International Journal of Peace Studies, Vol. 3, No. 2 pp. 19-33 (1998)

humanitarian and development assistance received in the country and opportunities for its efficient application. Relief prevents starvation and health-threatening malnutrition. Development assistance promotes a self-sustaining increase in the quality of life, particularly for the poorest in society. Development assistance promotes a self-sustaining increase in the quality of life, particularly for the poorest in society. Kenya receives development assistance to bolster its economy and to alleviate its population's poverty. Kenya relies on aid to help fund the government<sup>148</sup>. The development assistance that Kenya receives is directed towards improving infrastructure such as building roads and railroads, improving health and education. Kenya's experience with development assistance is similar to other East African countries but Kenya is unique in the sense that it is relatively economically and politically stable compared to its neighbouring countries. One benefit of such stability is that Kenya rapidly industrialised in the decade after independence<sup>149</sup>.

Net ODA received per capita (US dollar) in Kenya was last measured at 59.11 in 2011, according to the World Bank. Net official development assistance (ODA) per capita consists of disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies of the members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries to promote economic development and welfare in countries and territories in the DAC list of ODA recipients; and is calculated by dividing net ODA received by the midyear population estimate. Policy based aid is aid that is lent on condition that the country agrees to make certain reforms in its economic policy<sup>150</sup>. Mosley et al adds that in early 1980s, the World Bank decided that this kind of lending was an

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<sup>148</sup> Paul Mosley: Kenya. In P. Mosley, J. Harrigan, & J. F. Toye: Aid and power: The World Bank and policy-based lending Vol. II London: Routledge (1991)

<sup>149</sup> Mohamed Abokor Elmi: A New Approach? The Impact of China's Development Aid on Kenya (2012)

<sup>150</sup> Op cit

idea whose time had come since it was at this time that developing countries were hit badly by big economic shocks-oil crisis, recession and commercial banks were no longer happy to fill the holes in their balance of payments accounts. This was the time that Kenya experienced its first serious economic crisis since independence this crisis pushed the Kenya government in the short term into the arms of the IMF, and in the long term into the arms of the World Bank and the bilateral aid donors. Between August 1979 and March 1983 the IMF granted Kenya four stand-by credits totaling \$700 million of which only \$250 million was actually drawn. In fulfillment of the conditions attached to these credits the Kenya Central Bank devalued the shilling three times between 1980 and 1982 by a total of 46 per cent against the SDR. The Kenya Government was keen to take advantage of the World Bank's new facility of Structural Adjustment Loans (SALs).

The World Bank spearheaded policy lending via SALs or the Structural Adjustment loans which the bank felt was a way of handing over foreign exchange, and so filling the holes left by the commercial banks; but at the same time it offered a way of making sure that these holes would eventually get smaller, since the changes in economic policy that the World Bank recommended are designed to make a country's balance of payments look healthy by compressing demand (especially investment) and increasing exports<sup>151</sup>. SALs are supposed to provide a cushion against economic shocks, deliver external financing that generates local counterpart funds in support of government development programs as well as promote policy reforms<sup>152</sup>.

The World Bank's adjustment lending to Kenya provides is policy-based financing based on actual or anticipated external financing gaps in the balance of payments or fiscal accounts<sup>153</sup>.

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<sup>151</sup> Ibid

<sup>152</sup> Stefan G. Koeberle: Should Policy-Based Lending Still Involve Conditionality? :The World Bank Research Observer, vol. 18, no. 2 (Fall 2003)

<sup>153</sup> World Bank: Issues in Adjustment Lending .SecM96-18. Washington, D.C. (1996)

Adjustment lending is used to: provide a cushion against economic shocks; deliver external financing that generates local counterpart funds in support of government development programs and promote policy reforms. The promotion of good governance through combating corruption and improving transparency and accountability is the principal goal of foreign aid<sup>154</sup>. Approaches to deal with conditionality have been part of the policy strengthening attempts by donors<sup>155</sup>. Increasing country ownership and enforcement of loan conditions; country ownership has always been a central concept in development aid, on the assumption that it makes the policy and institutional changes associated with lending operations more likely to be implemented even in the face of political opposition. Improving the design of conditionality and introducing results-oriented approach to conditionality based solely on outcomes and for the use of different disbursement procedures to align conditionality with country performance rather than promises. Strengthening partnerships on conditionality between recipients and donors and between donors themselves; increased partnership coordination and collaboration between donors and borrowers and among donors have been part of the response to conditionality. Transparent partnerships between donors and countries will encourage true country ownership of reforms. The World Bank supports coordination and harmonization efforts, in an attempt to combine partnerships with a focus on results.

According to one scholar,<sup>156</sup> Kenya is a good example of how donors try to employ both civil society groups and the carrot and stick of aid to induce democratic change. According to this writer, President Daniel arap Moi “obtained an amendment in 1982 to Kenya's Constitution that established a de jure one-party state. His administration also adopted an intimidating new set

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<sup>154</sup> Marian Leonardo Lawson: Analyst in Foreign Assistance Does Foreign Aid Work? Efforts to Evaluate U.S. Foreign Assistance CRS Report for Congress: Prepared for Members and Committees of Congress ( 2013)

<sup>155</sup> Stefan G. Koeberle: Should Policy-Based Lending Still Involve Conditionality?: The World Bank Research Observer, Vol. 18, No. 2 pp. 249-273 (2003)

<sup>156</sup> Arthur A. Goldsmith: Foreign Aid and Statehood in Africa: International Organization, Vol. 55, No. 1 (2001)

of electoral procedures and put new controls on the press. Soon after aid agencies imposed an aid conditionality requiring the government to allow multiple parties again, to establish an impartial elections board, to reinstate the secret ballot, to update voter registration rolls, and to relax censorship of the press”.

Foreign aid has played a critical role in the elaboration of the development discourse<sup>157</sup>. Foreign aid stands at the intersection of political and security interests and economic and social development. The economic rationale for aid is based on the claim that the macroeconomic contribution of aid to recipient countries is positive through the promotion of improved economic policies and resource allocation. It increases the efficiency of capital through strengthening technical, managerial, institutional and administrative capacity. The World Bank view links the economic growth of developing countries with the provision of aid; "...many developing countries have achieved remarkable development progress. Official development assistance, together with the growing markets provided by OECD countries, significantly contributed to these gains"<sup>158</sup>.

The aims of a sustainable development strategy are: to reduce poverty while achieving economic growth; strengthen the domestic human and institutional capacities to meet the challenges of development and to prevent social disintegration; to improve the developing countries' capacity to contribute to the management and solution of global problems; to reinforce the transformation of institutions enabling developing countries to play a bigger role in the world economy; and to shift the focus of development from central government to organs of civil

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<sup>157</sup> Wood, Robert: From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in the World Economy. Berkeley: University of California Press (1986)

<sup>158</sup> OECD: Twenty-five Years of Development Co-operation. Paris: OECD: (1985)



society (OECD, 1996). Sustainable development signifies a new phase in the aid regime<sup>159</sup>. This phase describes the negotiating framework between donors and recipients and maintains the dominance of the donor community although new actors (NGOs and CBOs) have been added to the recipient community. The Kenyan Governments is increasingly being forced to compete with civil society organisations, and in the distribution of aid, the western world NGOs have been allocated a greater role. Donors maintain control over the identification of legitimate uses for aid. The scope of projects founded has altered to take greater account of the environmental impact of lending. Secondly, increased emphasis is placed on private sector financing of development<sup>160</sup>.

### **4.3. Improving Foreign Aid in Kenya**

According to the Human Development Report<sup>161</sup>, the general consensus amongst scholars is that that foreign aid's first objective should be human development. In 2000, governments from various countries met at the United Nations and signed the Millennium Declaration, a pledge "to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty" this is in line with the stated objectives for countries in providing aid which are economic, strategic and humanitarian<sup>162</sup>. This report adds that the end of the Cold War increased the humanitarian objective.

Foreign aid has caused all manner of debate in the study of international relations. There are scholars<sup>163</sup> who are for foreign aid and those who are against foreign aid. Pro-aid scholars feel that aid helps developing countries' economies and also helps improve human development

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<sup>159</sup> Serageldin, Ismail and Alfredo, Sfeir-Younis: *Effective Financing of Environmentally Sustainable Development*. Washington, D.C. World Bank (1996)

<sup>160</sup> Op cit

<sup>161</sup> United Nations Development Programme: 2005. *Aid for the 21st century: Human development report*. New York: Oxford University Press (2005)

<sup>162</sup> Carlos Seiglie: *Altruism, Foreign Aid and Humanitarian Military Intervention: Conflict Management and Peace Science* Vol. 17 No. 2 Rutgers University at Newark (1999)

<sup>163</sup> Peter Bauer: *Dissent on Development*, London: Wiedenfield and Nicholson, 1972: A. Escobar, 'Planning', in Wolfgang Sachs (ed.), *The Development Dictionary*, London: Zed Books (1993)

especially in countries with sound political and economic policies<sup>164</sup>. The World Bank's report of 1998, "Assessing Aid" feels that foreign aid contributes to economic growth when economic policies are good. Scholars against aid state<sup>165</sup> that aid creates a "moral hazard" problem (Samaritans dilemma), meaning that governments can spend money without a firm budget constraint, confident that donors will bail them out of any difficulty. Donors, who want to help (or are committed to send money for other reasons), may indeed be forced to oblige. This group of scholars also feel that by paying big salary premiums, large donor projects can "poach" good people away from government, weakening its institutions and that recipients governments overstretch themselves and in situations where focusing on priorities is important, recipients will often prefer to expand their operations to cover whatever projects donors wish to fund, especially since such funding often creates perks for officials. Other scholars feel that aid slows growth and may cause the resource curse or the Dutch disease. The World Bank also feels that aid causes exchange rate over valuation due to a combination of natural resource flows and sudden aid flows. However, all these scholars converge on ways to improve the ways aid is organized, managed and delivered in order to enhance its development impact<sup>166</sup>.

According to the African Development Bank Group, Kenya remains in the low income group, with almost half of the people living below the poverty line and high unemployment, especially among the youth. The main challenge that Kenya is facing today is to generate economic growth that is more inclusive in order to more effectively reduce poverty across the

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<sup>164</sup> Craig Burnside and David Dollar: Aid, Policies and Growth: The American Economic Review: Vol. 90 No. 4 (2000); Michael A. Clemens, Steven Radelet et al: Counting chickens when they hatch: Timing and the effects of aid on growth (2011)

<sup>165</sup> Henrik Hansen and Finn Tarp: Policy Arena Aid Effectiveness Disputed: Journal of International Development: J. Int. Dev. 12, (2000); William Easterly: Can Foreign Aid Buy Growth?: Journal of Economic Perspectives, 17(3) (2003); William Easterly: Reinventing Foreign Aid: MIT Press, Cambridge MA USA (2008)

<sup>166</sup> Nilma Gulrajani: Transcending the great foreign aid debate: Managerialism, radicalism and the search for aid effectiveness. Third World quarterly (2011)

country<sup>167</sup>. According to this report, Kenya's aid coordination and harmonization architecture was laid out in 2011, taking into consideration developments arising from the 3<sup>rd</sup> and 4<sup>th</sup> meetings on aid effectiveness held in Accra, Ghana in September 2008 and Busan, South Korea in November 2011<sup>168</sup>. Kenya is "aid dependent" in the sense that few states in Africa can carry on routine functions or deliver basic public services without external funding and expertise<sup>169</sup>. Aid-dependent governments are accountable to donors, not to their population according to some writers based at the World Bank<sup>170</sup>.

Kenya's humanitarian aid cuts across all types of aid (bilateral, multilateral, and private) and is an important component of long-term support for aid. Practical Ethics, Peter Singer argues that donors have an obligation to give foreign aid<sup>171</sup> and that aid should do as much good as possible and as little harm as possible, so donors must structure aid with conditions intended to promote the good aspects and reduce the bad. This brings up the question of conditions in aid and what conditions should be placed and which one should not be continues the scholar. Sometimes these conditions are in direct conflict with state sovereignty<sup>172</sup>. Yet state sovereignty cannot simply be ignored, as it sometimes seems to be. If the government has any legitimacy in representing the "will of the people," the right to self-determination translates into the right to state sovereignty and must be respected<sup>173</sup>. Slow economic growth in Kenya and lagging revenues over the past decade have not led to any reduction in the rate of increase even although

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<sup>167</sup> Kenya: Country Strategy Paper 2014-2018: African Development Bank Group: (2014)

<sup>168</sup>Op cit

<sup>169</sup> Deborah Brautigam: Aid Dependence and Governance: Stockholm: Almqvist and Wiksell International (2000)

<sup>170</sup> Tim Harford and Michael Klein: How Can Aid Be Designed to Preserve Institutions? The World Bank: Public Policy for the Public Sector (2005)

<sup>171</sup> Peter Singer: Rich and Poor in Practical Ethics, 2nd ed. (New York: Cambridge University Press. Singer briefly mentions issues of sovereignty, concluding: "we have no obligation to assist countries whose governments have policies that will make our aid ineffective" (1993)

<sup>172</sup> Op cit

<sup>173</sup> Christopher Kilby: Aid and Sovereignty: Social Theory and Practice, Vol. 25, No. 1 (1999)

the International Monetary Fund (I.M.F.), the World Bank, and other donors have imposed tough conditionalities aimed at reducing budgetary deficits to acceptable levels<sup>174</sup>.

#### **4.4. Opportunities for Strengthening the Role of Foreign Aid**

In order to strengthen the role of foreign aid in Kenya, the government must increase well-conceived health and education efforts, because they are valuable on their own terms and promote economic development; expand collaborations among federal agencies, with other countries, and with international institutions and non-governmental organizations, to reduce overlap and administrative burdens on recipient countries; demand that the World Bank lending be on a more rational footing, by insisting that concrete moves away from corruption within the Bank and in within the country. The government must also continue the recent shift toward grants, away from loans<sup>175</sup>. The government should be skeptical of debt-relief proposals, especially those that do not include meaningful reforms; secondly, the government should develop a comprehensive policy approach toward debt relief. Even though the current foreign aid operations is not sound, the new administration should refrain from reorganization until it determines clear objectives, forms a strong leadership team, and reviews the current system's strengths and weaknesses: "Think objectives and means first, reorganize later" suggests the scholar. Kenya is Finland's only long-term partner country in Africa that is not a least-developed country<sup>176</sup>. Finland's development cooperation with Kenya set out in the Finnish Development Policy Programme of 2012, includes an added emphasis on human rights, democratic ownership and accountability, and results-based management. The forestry sector evaluation noted that improved effectiveness requires closer attention to changes in the political and economic

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<sup>174</sup>John M. Cohen: Importance of Public Service Reform: The Case of Kenya: The Journal of Modern African Studies, Vol. 31, No. 3 (1993)

<sup>175</sup> Kenneth W. Dam: Assuring that Foreign Aid Is Effective: Raise the Level of Debate about Aid: Opportunity 08 Ideas for Our Next President: A Project of the Brookings Institution (2008)

<sup>176</sup> Ministry For Foreign Affairs Of Finland: Country Strategy for Development Cooperation with Kenya 2013–2016

environments and coordination between different interventions. Finland's current support aims to address this by supporting the forestry sector reform as a whole.

Finland supports the aid effectiveness agenda in Kenya and participates in aid coordination and the various working groups. Even though the interventions funded by Finland are aligned to Kenyan priorities, the project modality is used in most of Finland's interventions. There is an apparent lack of government-led sector reform programmes and joint financing modalities not only in the Finnish-Kenya aid coordination efforts but also with other donors<sup>177</sup>. Using foreign aid resources, Kenya hopes to maintain a sustained economic growth of at least 10% per annum from 2012 and beyond - Under the economic pillar, Kenya envisages objectives such as development of tourism, agriculture, a more inclusive wholesale and retail trade sector, manufacturing for the regional market, business process offshoring, and financial services. Finnish Development Policy Programme hopes to provide Kenya with equitable social development in a clean and secure environment, development of education and training and the health sector, water and sanitation, the environment, housing and urbanization, gender, youth and vulnerable groups as well as equality and poverty elimination are part of the programs wider aims.

Finland bases its program on people-centred result-oriented and accountable democratic political systems. The political pillar, in turn, addresses such objectives as the strengthening of the rule of law, electoral and political processes, democracy and public service delivery, transparency and accountability as well as security, peace-building and conflict management. Kenya's objectives under the social and political pillars (with some exceptions under the social pillar) are highly relevant to Finland's cooperation with Kenya. Finland will support these objectives, which not only serve to reduce poverty and inequality but also promote a democratic

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<sup>177</sup> Op cit

and accountable society – the core issues in Finland’s Development Cooperation Policy Programme. Finland’s cooperation with Kenya is relevant because sustained economic growth can, if distributed fairly, contribute to poverty reduction. Amongst Finland’s aid support to Kenya is the improved livelihoods for the poor in Busia County, increased agricultural production and food security in Busia County and promotion of business development, innovation and knowledge sharing in the agricultural sector. Finland will continue to support sustainable management and utilisation of forest and water resources and the improvement of rural water and sanitation services in Kenya. Finland believes that increased participation of communities, civil society and private sector stakeholders is important vehicle when advancing these objectives.

#### **4.5. Measures to Deal with Gaps and Challenges in Aid Allocation**

In order for Kenya to fully utilize foreign aid resources at the country’s disposal, the government needs to take certain measures to achieve growth and development as well as foreign aid efficacy. The government needs to perform a leadership analysis to assess policymakers in terms of their initiative in formulating and implementing reforms, their level of intellectual conviction, their expression of political will, and their efforts to build consensus among various constituencies<sup>178</sup> Leadership is important for successful reform, but senior policymakers may underestimate difficulties in securing support from their political actors and sustaining institutional efforts to make aid more efficient. Stakeholder analysis is also important to help focus on power relationships, influences, and interests of stakeholder’s affected by foreign aid based policy reforms, including those in government<sup>179</sup>. This analysis captures the extent to

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<sup>178</sup> John Hand Johnson & Sulaiman S. Wasty: Borrower Ownership of Adjustment Programs and the Political Economy of Reform. World Bank Discussion Paper 199 Washington, D.C (1993)

<sup>179</sup> Richard Heaver and Arturo Israel: Country Commitment to Development Projects: World Bank Discussion Paper 4 Washington, D.C (1986)

which stakeholders can make their voices heard, participate in decision making, reach consensus, and accept short-term costs and uncertainties in the distribution of benefits of foreign aid for long-term gains. The government will also need to perform a reform readiness analysis. This analysis will capture the commitment and performance of key policymakers and interest groups and so requires detailed knowledge of the country's political situation<sup>180</sup>.

To argue that there is a case for providing aid in Kenya does not mean that all is well with official aid. To remedy the inadequacies of aid will improve its impact as well as strengthen the case for providing it. Increasing aid amounts may work towards this end but only if aid is applied to the specific areas that it is targeted<sup>181</sup>. It is important however, adds the scholar to know that DAC is declining from USA and Britain. Donors need to commit their funds for longer terms(grants) as well as concentrate more on giving humanitarian aid for longer term projects nor mere relief adds the writer. This would help the government to plan and contribute to greater aid effectiveness. The scholar notes however that neither larger amounts of aid nor improving long term projects necessarily guarantee aid effectiveness. There are other factors that touch on policy that also play a role. A supportive political, institutional and administrative environment at the local and national level as well as socio-economic policies may encourage resource use efficiency adds Riddell. Two important policy issues for the government are the policies to be drawn should have details on the gap-filling role that the aid funds are expected to play and secondly, donors too must play a role in pin-pointing at the country level those constraints which impede aid effectiveness and if possible quantify their importance and scope for eliminating or reducing them; hence the need for aid partnership between the country and the

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<sup>180</sup> Luke Haggarty and Yasuhiko Matuda: Assessing Clients' Commitment to Sectoral Reforms: A Reform Readiness Analysis :World Bank, Development Economics Vice Presidency, Washington, D.C.(1999)

<sup>181</sup> Roger C Riddell: Foreign Aid Reconsidered: Retaking the Middle Ground: Strengthening the Case For Aid: (1987)

various donors<sup>182</sup>. Donors need to help in drawing up policy frameworks to increase levels of success and harmony.

According to a report based on chronic poverty in Kenya and other countries of the world<sup>183</sup>, governments in these countries have to involve themselves in social assistance which basically means establishment of effective civil registration systems and ensuring universal birth registration as pre-requisites for the efficient and equitable delivery of social assistance. Pro-poor economic growth requires policies focused on sustainable agriculture, infrastructure and access to energy, as well as collaboration between the state and the private sector. Social assistance in this case is social protection through benefits and transfers (in cash or in kind), which can be complemented by other types of interventions (i.e. integrated poverty reduction programmes). Provision of support for maternity and old age, or unemployment and sickness are other forms of social assistance that the government can proffer to its citizens using aid resources. Pro-poor economic growth means creating good quality jobs for the poor and unskilled, with better working conditions, as well as upgrading their position as self-employed in markets and value chains and increasing the returns from their economic participation. It also means creating second chances in education for unskilled workers.

Most of the aid disbursed to Kenya is intended to reduce poverty, or at least improve the welfare and living conditions of the poor, to provide public goods (such as health, education and protecting the environment) and even to support good governance<sup>184</sup>. According to one scholar<sup>185</sup>, schooling in Kenya consists of 8 years of primary education, 4 years of secondary

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<sup>182</sup>Op cit

<sup>183</sup> Andrew Shepherd et al: The Chronic Poverty Report 2014-2015: The road to zero extreme poverty: Overseas Development Institute (2014)

<sup>184</sup> Oliver Morrissey: Aid Effectiveness for Growth and Development Overseas Development Institute: [www.odi.org.uk/opinions](http://www.odi.org.uk/opinions) (2002)

<sup>185</sup> Rebecca Sander: The Effects of Foreign Aid on Rent Seeking Incentives in the Presence of Ethnic Heterogeneity (2010)



education and 4 years of university or tertiary education. The writer adds that Kenyan parents were charged a school fee to send their children to public school. However, with the abolition of school fees in 2003, school cost dropped and school enrollment increased by 1.3 million from 5.9 million students enrolled in 1998 to an estimated 6 million in 2000 and 7.4 million in 2004. Donations from international organizations and other countries, including USAID, UNICEF, the United Kingdom, Belgium and Japan, has closed some of the gaps in schooling funds and educational development expenditure. In 1990, delegates from 155 countries, representatives from some 150 governmental and non-governmental organizations agreed<sup>186</sup> to make primary education accessible to all children and to massively reduce illiteracy before the end of the decade.

According to one source<sup>187</sup>, second-chance education using donor funding can provide children and youth who did not complete primary school with an opportunity to develop basic skills. Effective second-chance education requires well-coordinated and adequately funded programmes at scale. Secondly tackling barriers that limit access to lower-secondary education can go a long way towards improving education. Improving access to lower-secondary school may mean abolishing school fees and providing targeted financial support, linking lower secondary to primary schools, providing a common core curriculum so that all children are equipped with core skills, ensuring that there are enough government school places and assuring accessibility in rural areas. Upper secondary should be made more accessible to make it more work relevant. Giving the youth access to training to make them more relevant to the employment industry should be another consideration for the government. Setting programs and

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<sup>186</sup> UNESCO: World Conference on EFA, Jomtien (1990)

<sup>187</sup> UNESCO (2012)

projects for the youth in disadvantaged areas is necessary<sup>188</sup>. Using micro-finance for social protection from funds disbursed by donors may help tackle the multiple problems encountered by the youth. Harnessing technology to improve skills is an urgent requirement that the government needs to embark on. The government leadership is also required to collect and analyse data based skills development programmes. According to Book Aid International<sup>189</sup>, adult literacy in Kenya at the by 2013 was 74%, net enrolment in primary education was 75%; secondary education stood at 50% while total enrolment in tertiary education was 103,000.

In 2012 CIDA completed its disbursements to the Kenya Ministry of Education<sup>190</sup>. According to this report CIDA contributed \$15,200,000 to the education sector in Kenya using the Ministry of Education as its executing agency partner. CIDA using the success of the primary school education helped found the Kenya Education Sector Support Programme (KESSP) which is a sector-wide approach (SWAP) covering 23 investment programs in education. The CIDA partnership, by May 2012 the project had achieved an additional 1.4 million children attending public primary school since 2003; a net enrolment rate increase from 83% (2005) to 91% (2010); a sharp decrease in the ratio of pupils to textbooks, from 15 students sharing a textbook in 2003 to 3 to 5 sharing a textbook in 2010. Gender parity in terms of enrolments had been achieved in primary education. CIDA support and technical assistance facilitated the development of a gender policy for the education sector, as well as a national measurement tool to evaluate the learning achievements of primary school children.

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<sup>188</sup> Op cit

<sup>189</sup> Book Aid International increases access to books and supports literacy, education and development in sub-Saharan Africa: *The Ranfurly Library Service was incorporated as a company limited by guarantee (number 880754, London) on 3 June 1966 and was registered as a charity (number 313869) on 4 July 1966. The company name was changed to Book Aid International on 1 January 1994.*

<sup>190</sup> CIDA: Project profile: Support to the Education Sector (12/12/2007 – 13/03/2011)

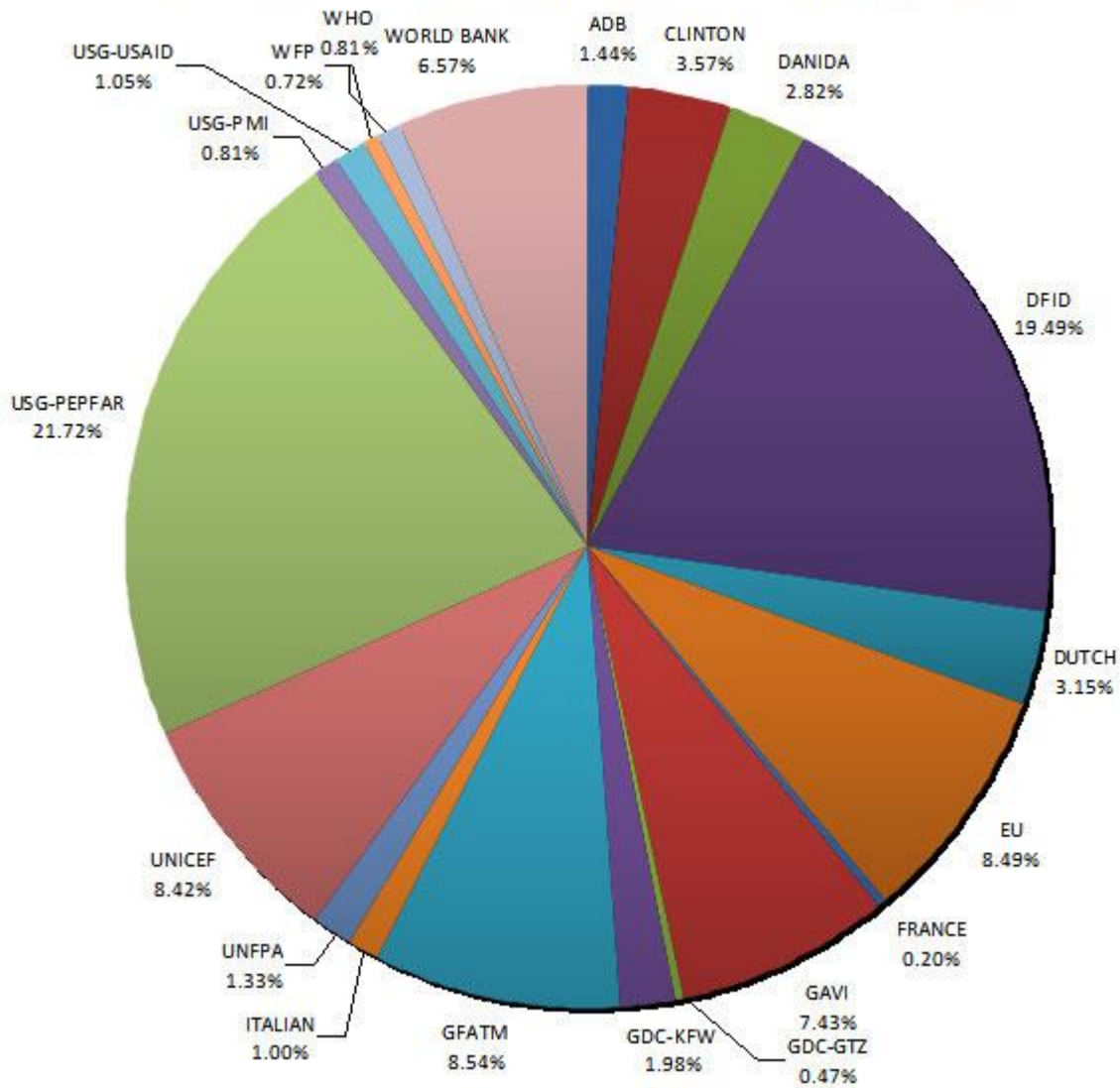
The African Union countries met in Abuja Nigeria in 2001<sup>191</sup> and pledged to increase government funding for health to at least 15%, and urged donor countries to scale up support. Kenya was represented in this meeting and is committed towards improving existing health systems. Towards achievement of disease eradication and proper nutrition, Kenya has worked towards improvement of the health of its nearly 40 million people<sup>192</sup>, more than half of whom live in rural areas. By the late 1980s Kenya had more than quadrupled the number of health facilities serving its growing population; extended life expectancy from 40 years to 62 years; and improved child survival rates.

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<sup>191</sup> African Summit on HIV/AIDS, Tuberculosis and Other Related Infectious Diseases: Abuja, Nigeria: OAU/SPS/Abuja/3 (2001)

<sup>192</sup> Katherine Bliss: Kenya, The Big Picture on Health: Global health Policy Centre: Center for Strategic & International Studies (2014)

### Donor Investements in Kenya in USD (in millions)



The pie chart above shows the various allocations to health by various donors and their percentages. Kenya’s total expenditure on health as a percentage of GDP was 4.6% in 2006, according to the 2009 World Health Statistics Report. In 2006 Kenya spent 29 USD per capita on health services, several dollars below the 34 USD the WHO recommends countries spend to provide a minimum health package for their citizens<sup>193</sup>. The table portrays donor fragmentation in the health sector a factor that has caused concern by the World Health Organization.

<sup>193</sup> Op cit

The development of the Kenya Health Sector is guided by the Kenya's Vision 2030. The health sector objectives are to Reduce Maternal Mortality Rate; Reduce under five mortality rate; Reduce infant mortality rate; Reduce percentage of HIV/AIDS prevalence from 5.6% to 4% (2013 figures); improve under one immunization coverage from 83% to 90%; reduce Malaria in-patient case fatality from 15% to 5%<sup>194</sup>. Health financing system in Kenyan is very fragmented. Fragmentation is the existence large numbers of separate financing mechanisms and a wide range of health care providers in a country. This is as a result of funds collected from different financing mechanisms not getting pooled and people from different socioeconomic status are covered under different arrangements<sup>195</sup>. The report adds that donor funds geared towards the health sector are also very fragmented and that most donor funded projects operate independently, and it is common to have different donors funding similar health projects within the same district, but with little, if any, cooperation in terms of financing, operations and service delivery. This independent funding undermines sustainability of health financing. The World Health Organisation has often called for better coordination of donor funds to ensure that external funds are consistent with countries priorities and within the broader objective of universal coverage but with little success<sup>196</sup>. Failure to pool donor resources in Kenya promotes inequities because such areas are not considered when government budget allocations are being made, especially where regions with less need benefit from significant donor funding and also receive a large share of government funding.

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<sup>194</sup> Ministry of Health: Transforming Health: Accelerating Attainment of Universal Health Coverage: Kenya Health Sector Strategic and Investment Plan July 2013 to June 2017

<sup>195</sup> Diana McIntyre et al: Beyond fragmentation and towards universal coverage: insights from Ghana, South Africa and the United Republic of Tanzania: *Bulletin of the World Health Organization* 2008, 86(11): [PubMed Abstract](#)

<sup>196</sup> World Health Organisation: Macroeconomics and Health: Investing in health for economic development: Report of the commission on the macroeconomics and health (2001)

#### **4.5.1. Focus on Results Oriented Foreign Aid Agenda**

Based on the recommendations of the Paris Declaration of 2005 and the Accra Agenda of 2008 which are both road maps towards improved aid allocation and usage, aid partnerships have to manage results as well as apply aid such that it focuses on the desired results and uses information to improve decision-making. Partner countries have to strengthen linkages between national development strategies and annual and multi-annual budget processes; establish results-oriented reporting and assessment frameworks that monitor progress in all strategies of development and that these frameworks are cost effective; work with partner countries to ensure that all results and monitoring frameworks are country oriented. The partnerships should also work together to strengthen country capacities. The Paris Declaration also recommended that partners should ensure accountability and transparency; partners must commit to strengthen their parliaments as well as budgets, formulate progress reports in the implementation of national development strategies. Partners must provide timely, transparent and comprehensive information on aid flows so as to enable partner authorities to present comprehensive budget reports to their legislatures and citizens, recommends the reports. Partners must commit to jointly assess. Finally the declarations recommended that through existing and increasingly objective country level mechanisms mutual progress in implementing agreed commitments on aid effectiveness, including the Partnership Commitments must be seen to be adhered to.

According to a report by OECD<sup>197</sup> Aid is most effective when it supports country-owned approach to development. It is less effective when aid policies and approaches are driven by donors. In the context of the Paris Declaration, ownership concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies

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<sup>197</sup> OECD: Kenya: Survey on Monitoring the Paris Declaration - Country Chapters (2011)

and strategies; and coordinate the efforts of various development actors working in the country. This report adds that Kenya has made little progress on the indicators stated in the declaration. Only two indicators have been met so far. This progress can be seen in the operational development strategies as well as the results oriented approach which have improved from previous years– the target was met in 2010 adds the report. Other indicators such as alignment and harmonization have had only marginal success. Mutual accountability is also not yet achieved and the only thing that can be said according to the OECD report is that weak governance structures are still evident from the donor perspective and corruption still hinders proper use of country systems<sup>198</sup>.

Donors have individually and collectively applied pressure on the Kenyan government to undertake certain actions and refrain from others in the name of economic development, peace, justice, and democracy<sup>199</sup>. This donor involvement usually coincides with Kenya’s general elections, held every five years. Elections, adds the report, determine the future direction of a country, as well as flashpoints of political protest and violence that threaten stability and security and pose important challenges for accountability. According to Gordon Crawford<sup>200</sup>, “political conditionality has had very limited success in transforming authoritarian regimes into democracies. Donor countries have also obtained limited results in other attempts to influence governance practices in recipient countries, including in the realm of justice and specifically accountability, which is particularly relevant in Kenya”. According to this writer, though the

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<sup>198</sup> Op cit

<sup>199</sup> Stephen Brown: Dire consequences or empty threats? Western pressure for peace, justice and democracy in Kenya: *Journal of Eastern African Studies* (2014)

<sup>200</sup>Gordon Crawford: *Foreign Aid and Political Conditionality: Issues of Effectiveness and Consistency: Democratization* 4, no. 3 (1997); and

Gordon Crawford: *Foreign Aid and Political Reform: A Comparative Analysis of Democracy Assistance and Political Conditionality*: London: Palgrave Macmillan (2001)

actions of recipient countries are sometimes central to their ability to evade donor pressure, one must not overestimate or over-generalize their capacity to do so. The writer adds that their margin of maneuver is highly context-dependent and can vary over time. He adds that donors can also be a central factor in explaining outcomes. Scholars sometimes attribute the primary responsibility for donors' lack of success to the donors' own failure to apply sufficient political pressure or follow through on it. Brown<sup>201</sup> argues that donor officials often become apologists for authoritarian practices, making them reluctant to exert additional pressure for political reform as seen in Kenya following the post-election violence of 2007/2008. Although donors have repeatedly claimed that they have little actual sway with Kenya because the importance of Western foreign aid is declining, but this is simply not the case<sup>202</sup>. According to the World Bank data, donors' net official development assistance doubled from 16% to 32% of Kenyan government spending in less than a decade. Development assistance represents fully one third of the government's budget, which means that donors have far more leverage than they admit to. Brown feels that "donors not only fail to acknowledge this influence among themselves they consistently demonstrate a lack of political will to use it. Western donors' vastly overstate their impotence. In truth, they lack the will more than the ability".

Climate partnerships too need to be taken into account if the country wants to achieve its 2030 goals on sustainable development. The country's economy is highly susceptible to climate variations due to its reliance on agriculture, pastoral livestock production and tourism, which are all dependent on nature<sup>203</sup>. The United Kingdom has promised to support Kenya expand its response to climate change with a contribution of £1.1 million (Kshs140.1 million). This will be

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<sup>201</sup> Brown, Stephen: Well, What Can You Expect? Donor Officials Apologetics for Hybrid Regimes in Africa: Democratization 18, no. 2 (2011)

<sup>202</sup> Op cit

<sup>203</sup> UNDP: the UK Partners With The UN to Combat Climate Change in Kenya (2014)



through a joint United Nations project aimed at fostering climate change adaptation and mitigation in Kenya. The project seeks to reduce poverty by addressing existing and emerging climate change and environmental issues. The project is part of DFID support to the implementation of the 2013-2017 National Climate Change Action Plan (NCCAP). DFID has contributed £600,000 (Ksh. 76 million) to support Government of Kenya work in the extractive industry sector. Equitable management of resources and conflict prevention for sustainable growth may be gotten if resources are efficiently applied. This will promote sustainable human development in natural resource management.

The Canadian Government through Parks Canada<sup>204</sup> has partnered with Kenya Wildlife Service (KWS) in an effort to assist Kenya to cope with adverse effects of climate change in National Parks. Amboseli and Nakuru as well as Mt. Kenya National Park, Aberdare National Park and both the Tsavo East and West National Parks are the main parks where the project will be centred. According to IFRC<sup>205</sup>, the government, the Kenya Red Cross Society, the International Federation of Red Cross and Red Crescent Societies (IFRC) recently signed a tripartite agreement to jointly undertake the Sustainable Environment and Restoration Programme (SERP) aimed at improving environmental and climate change management in the country.

According to the Ministry of Agriculture, Kenya, the country is highly vulnerable to the impact of climate change. There is growing concern about potential stress on fragile ecosystems and rural communities, especially in the arid and semi-arid agro-ecological zones and some humid highland areas of the country. The government has come up with two initiatives to help

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<sup>204</sup> Parks Canada: Greening Kenya to address environmental sustainability and climate change: Canada partners with Kenya in climate change adaption in National Parks (2014)

<sup>205</sup> IFRC: Greening Kenya to address environmental sustainability and climate change (2014)  
<http://www.ifrc.org/en/news-and-media/news-stories/africa>

counter adverse climate and dwindling water resources. Strategy for Revitalizing Agriculture<sup>206</sup> of Kenya 2010-2015 and Kenya's vision 2030 to address these challenges by strengthening the capacities of smallholders to manage land and water resources in vulnerable agro-ecological zones. USAID has forged a partnership between the Cummins Cogeneration Kenya Limited<sup>207</sup>, a local firm, and the Government of Kenya to develop 12-megawatt biomass-fueled, on-grid electricity generation. This is in line with President Barack Obama Power Africa Initiative last June to boost electrical power generation in Kenya in coordination with the World Bank.

The European Commission has encouraged Kenya to mobilise domestic revenues<sup>208</sup> in an effort to move away from aid dependency as well as create sustainable development. The Commission stressed that “it is up to the partner government to enact and uphold the appropriate regulatory measures and policies to ensure that the virtuous cycle of tax collection-development spending-development progress-increased tax collection materialises. The EU and its Member States can facilitate this process by continuing to expand their support to strengthen the capacity of tax systems, and to “incorporate tax administration and fair tax collection, including rationalising tax incentives and good governance in tax matters, into policy dialogue with partner countries.”

The European Union has also laid emphasis on matters to do with climate and climate change in Kenya and other parts of the developing world. Climate change constitutes a significant additional burden and challenge for many developing countries, adding costs and complexity to poverty reduction efforts. Climate finance has been an important element of the negotiations under the UN Framework Convention on Climate Change (UNFCCC). In article 4.3

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<sup>206</sup> Ministry of Agriculture, Kenya : 9th African Forum, Ougadougou (2005)

<sup>207</sup> USAID: Power Africa Initiative (2014)

<sup>208</sup>European Commission: EU Accountability Report on Financing for Development (2014)

Review of progress by the EU and its Member States: Brussels, 3.7.2014 SWD(2014) 235 final Part 1/5 (2014)

of the Convention, developed countries agreed to provide funding to developing countries in order to support them in their transition to low-emission climate-resilient development paths. At the Conferences of Parties in Copenhagen (2009) and Cancun (2010), the developed countries parties committed to the provision of USD 30 billion in "fast start financing" in 2010 – 2012, and to a longer term goal to jointly mobilise USD 100 billion per year by 2020, for developing countries in the context of meaningful mitigation actions and transparency on implementation. This funding will come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance.

Studies have found that countries with abundant natural resources grow more slowly than those without. This situation is known as the “resource curse” or the “curse of oil<sup>209</sup>.” According to another writer, foreign Aid is a bribe given to poor countries by rich nations to enable the latter access resources, and markets cheaply<sup>210</sup>. Some development specialists are concerned that foreign aid may also cause a resource curse. The natural resources may create volatility in government revenues that, if poorly managed, will lead to inflation and explosive cycles in government spending. They also produce foreign currency earnings that, if not neutralized by monetary policy, will raise the real exchange rate, undermining the competitiveness of other sectors. They can also damage institutions (including governance and the legal system) indirectly by removing incentives to reform, improve infrastructure, or even establish a well-functioning tax bureaucracy as well as directly by provoking a fight to control resource rents.

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<sup>209</sup> World Bank: Aid and the Resource Curse: Public Policy for the Public Sector (2005)

<sup>210</sup> Joy Asongazoh Alemazung: Post-Colonial Colonialism: An Analysis of International Factors and Actors Marring African Socio-Economic and Political Development (2010)

Recent discoveries of oil, gas and other minerals have the potential to boost Kenya's overall development. This is according to one writer<sup>211</sup>, who says that many have wondered if the so-called "resource curse" was "lurking in the shadows, waiting to bring a whole host of political and economic problems". The writer adds that to counter this, the country has sought intervention from the World Bank to revise the legal, regulatory, and fiscal framework of its petroleum sector. According to this institution, the country is also engaging stakeholders at the national and local levels to discuss how to share the wealth between the central government and resource-rich counties. According to this writer, if good governance, transparency, economic diversification, strong fiscal discipline, and strategic investments then Kenya might yet be able to race past the middle-income threshold before its Vision 2030 projected.

#### **4.6 Conclusion**

According to UNESCO<sup>212</sup> giving poor youth access to skills training for better jobs as well as aiming policies and programmes at the youth in deprived rural areas; microfinance or social protection combined with training in basic literacy and numeracy, as well as livelihood skills, can help to tackle the multiple forms of disadvantage that keep people trapped in poverty; providing young women with microfinance and livelihood assets, as well as stipends to tide them over; create opportunities in technology for young people; government leadership is important to coordinate the range of actors involved in skills training, reducing fragmentation and duplication of effort and assuring equitable access; lastly, the government should mobilise additional funding dedicated to the training of disadvantaged young people.

Addressing the challenges of financing for development around the world, particularly in Sub Saharan Africa is of utmost importance. Eradicating poverty, achieving sustainable

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<sup>211</sup> Nayomi Chibana: Feature Writer: The Borgen Project: Kenya's Mineral Wealth and the Resource Curse (2014)

<sup>212</sup> UNESCO 2012

economic growth as well as sustainable development in order to help Africa develop at a more rapid pace is called for by the Monterrey Consensus<sup>213</sup>. Mobilizing and increasing the effective use of financial resources and achieving the national and international economic conditions needed to fulfill internationally agreed development goals, including those contained in the Millennium Declaration, to eliminate poverty, improve social conditions and raise living standards, and protect our environment. Each country south of the Sahara will have to be in-charge of its own economic development adds the Monterrey report. Good governance as well as appropriate policy frameworks will have to be put in place. Donors and aid agencies can take a strong lead and can always look for ways to improve their efforts. Elimination of rents and patronage can be eliminated by paying only after the desired results—vaccinations, electricity connections, operational rural phone booths<sup>214</sup>.

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<sup>213</sup> UN: Monterrey Consensus of the International Conference on Financing for Development (2003)

<sup>214</sup> Penelope J. Brook and Suzanne M. Smith: Contracting for Public Services: Output-Based Aid and Its Applications: Washington, D.C.: World Bank ed. 2001

## **Chapter Five**

### **Summary, Conclusions and Recommendations**

#### **5.1 Introduction**

This chapter presents the conclusion and summarizes the entire research. This study sought to identify the role played by foreign aid in Sub Saharan Africa. The study uses Kenya as a case study. The objectives of the study were, to examine the role of foreign aid in Kenya; to examine the role of foreign aid on Sub-Saharan Africa; to analyze the opportunities for improving the effectiveness of foreign aid in Kenya; and to recommend ways of improving foreign aid effectiveness. The study basis its hypotheses on the positive impact of foreign aid on Sub-Saharan Africa's development Agenda as well and also postulates that poor policy environment in Sub-Saharan Africa has been a cause of ineffective application of foreign aid.

The chapter identifies some of the gaps noticed in the study of the role of foreign aid in sub-Saharan Africa. The chapter concludes by suggesting that more research needs to be carried since this research is in no way conclusive nor does it have all the answers. This research has attempted to shed insights into the study the role of development or ODA in sub-Saharan Africa with Kenya as a case study. The research has also examined various relationships between donors and recipients and has found existing research inconclusive.

#### **5.3 Summary**

On objective one which examined the role of foreign aid in Kenya, the study found that in an attempt to sustain recovery and move into higher growth and development, the government has formulated long term development plans and has come up with Vision 2030. The Vision is a

development strategy geared towards reduction of people living with hunger and to make more public services geared towards income generation amongst other things. Donors have been in Sub-Saharan Africa since the 1960s and have played an important role in informing foreign aid policy. While initially thought to be a simple problem, scholars have now realized that the role of foreign aid is much more complex than previously thought. The role of foreign aid has long been debated with two main standpoints taking centre stage. On one side there is the pro-aid debate and on the other, the anti-aid debate. This research has examined both views and emphasizes on the positive role of foreign aid in Sub-Saharan Africa and has concluded that giving aid in a non-informed manner lies at the heart of the problems associated with foreign aid. Although no consensus has been arrived at regarding the role of foreign aid, much of the debate in this research examines the positive intentions of donors and the various partnerships reached arrived at by the donor countries and Sub-Saharan countries. The period of time in focus is from 1980s to the present time. Chapter two discusses the significance of foreign aid in Kenya's growth and development agenda. According to the World Bank, Kenya is full of contrasts and is yet to achieve its full potential. The findings of this chapter also show that Kenya is amongst Africa's most aided and ranks 147 in the world Human Development Index. The chapter discusses Kenya's policy strategy which formulated around a long term development term or Vision 2030. Chapter three discusses human development in Sub-Saharan Africa and notes that although human development in Sub Saharan Africa has improved, it is still struggling against inequality, low investment and disease. The chapter discusses the success of foreign aid in Sub Saharan HDI growth but notes that more needs to be done to help aid effectiveness in the region. The chapter discusses attempts by the World Bank and other donors towards improving the quality of education, health and income but notes that African countries have to be more involved with

their own development. Chapter four examines the various opportunities available in foreign aid allocation as well as the measures to improve foreign aid efficacy in Kenya. This is the chapter that talks in detail of the various aid partnerships between Kenya and the donor community and notes that Kenya has to own her development. The chapter discusses policy based foreign aid to Kenya and notes that the two main forms of aid to Kenya are bi-lateral and multi-lateral. The chapter notes that sound policy is a determinant to overall performance of the economy and hence must influence aid effectiveness according to some scholars as well as the World Bank<sup>215</sup> according to these two sources, evidence shows that aid may have a positive impact on growth and development.

Foreign aid has long been argued to help development, in the sense that it helps complete and foster missing or incomplete markets in developing countries. Aid can be more effective if appropriate macroeconomic policies are in place according to the two sources<sup>216</sup>. What the various scholars have not managed to bring out very well is how aid and policy interact which shows the need for more research on the role of good policies and efficient aid application. There is however some evidence that aid has influenced policy, and thus aid effectiveness has increased in recent years if economic uncertainty is controlled, aid is positively related to growth. According to Morrissey<sup>217</sup>, policy is an important determinant of economic performance and must influence aid effectiveness.

This research draws upon the works of Collier and Dollar<sup>218</sup> as well as Dollar and Burnside findings who quantify economic performance in aid-recipient countries as a function of

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<sup>215</sup> Craig Burnside and D. Dollar: "Aid, Policies and Growth," Policy Research Working Paper No. 1777, World Bank; World Bank: Assessing aid: What works, what doesn't, and why: Washington, DC: World Bank (1998)

<sup>216</sup> Op cit 1

<sup>217</sup> Oliver Morrissey: Does aid increase growth?: School of Economics, University of Nottingham, Nottingham NG7 2RD, UK Progress in Development Studies; 1; 37 (2001)

<sup>218</sup> Paul Collier and Anke Hoefler: Aid, Policy and Peace: Reducing the Risks of Civil Conflict: (2002)



aid and policy, using global data for the period 1973-97. These two scholars find that faster growth is associated with better policy, while the effect of aid depends upon the level of policy. Thus, aid and policy are complementary: aid amplifies the effects of policy, and policy amplifies the effects of aid. Policy improvement is also associated with better governance. Policy will also affect the growth and structure of the economy. An ‘improvement’ in policy as defined by the World Bank is normally intended to raise the growth rate. According to these two scholars, the World Bank since 1977 has measured economic policy, country-by-country, on a six-point ordinal scale. This index known as Country Policy and Institutional Assessment (CPIA) is sound for measurement of economic policy. Though considered subjective, the scoring is based upon a set of specified criteria, with which World Bank staff who make the assessments are supervised with a view to imposing these common standards. Despite limitations of subjectivity, the CPIA has the advantage of including many policies which would simply be omitted were analysis to be confined to those policies which are objectively quantifiable.

Evidence on aid and growth suggests, on balance, a positive impact. Aid can be effective if appropriate macroeconomic policies are in place. Though aid has influenced policy, and thus aid effectiveness has increased in recent years not all scholars support that aid only works when appropriate policies are in place. There are some important lessons to be learnt in the role of foreign aid and the terms attached to the foreign aid given to Sub-Saharan Africa. While conditionality attached to aid programs is useful in overcoming agency problems, in reality placing conditions on aid is problematic. It is important to note the difficulty faced by donors in committing to a specific aid strategy. According to a statement by Oxfam “Can and should aid be used to put pressure on governments to reform their spending policies in favor of the poor? .....new forms of conditionality could help to bring about positive policy

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reforms...Governments and donors could, in principle, agree incremental steps for raising investment in primary health care, basic education, and the provision of water and sanitation....Most donors reject such an approach on the grounds that it would undermine the national sovereignty of developing country governments. They have been considerably less reluctant about eroding sovereignty in other areas; through their structural adjustment programs, donors have obliged governments to impose fees for primary education and basic health facilities, to devalue their currencies, set interest rates at levels dictated by the IMF, privatize whole industries, and liberalize markets.”

There are governments in recipient countries who misuse aid and who exhibit poor economic management. In such cases, it is necessary to increase the policy leverage of aid. However, not all cases of poor policy imply ‘bad’ government; one should look to see if other factors are at play. This has implications for the allocation of aid. The aid–growth literature reviewed in this research does not address how governments respond to aid receipts. Future studies on the role of aid should try to examine how the aid influences government behavior. There is need for more country case-studies rather than regressions. Regressions tend to underestimate the contribution of aid. The benefits of aid intended for poverty reduction is not recognized by regression while the amount of aid intended for investment is exaggerated. This is according to Morrissey.

Undoubtedly, economic growth is the best way to improve human development in all its aspects and aid may still be the best short term way of assisting the poorest in society. Though there have been stories of governments misusing aid, aid is still a good solution towards aiding investment and growth. Aid has not been a universal success but nevertheless aid has been

effective<sup>219</sup>. Donors have learnt over the years that aid does not flow into good policy environments and when it flows in such environments, it does not induce them to change<sup>220</sup>. According to this scholar, this has led to Bretton Woods Institutions as well as some donors to peg their aid to “the carrot of more aid and the stick of reduced aid” to encourage good policy environments. Whether these conditionalities are good can only be judged with time. Oxfam believes that such conditionalities are important as an encouragement of good policy and governance. Oxfam further believes that U.S. poverty reducing aid should be led and designed by the people who need it most. The impact of these conditions can be witnessed in Mali in the cotton industry where the World Bank has refused the Malian Government from accessing more aid due to its refusal to privatize the cotton industry<sup>221</sup> yet Mali has an elected Government.

## **5.4 Conclusion**

The findings and analysis of this research leads to the conclusion that the role of foreign aid in Sub-Saharan Africa can be improved and made to become more sustainable and that if efficiently applied and sound policies put in place, foreign aid can go a long way towards improving human development in Africa south of the Sahara. However, more ground work needs to be done at the grass roots to find better ways of improving the lot of the stakeholders even as donors offer the “carrot of more aid and the stick of reducing aid”.

## **5.5 Recommendations**

Amongst the recommendations that Sub Saharan Africa needs to take into account in order to improve the role of foreign aid is to provide a cushion against economic shocks; deliver external financing that generates local counterpart funds in support of government development

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<sup>219</sup> Op cit 3

<sup>220</sup> Ravi Kanbur : Aid, Conditionality and Debt in Africa: Foreign Aid and Development: Lessons Learnt and Directions for the Future Routledge (2000)

<sup>221</sup> Oxfam Briefing Paper: (November 2006)

programs; promote policy reforms<sup>222</sup>. The potential conflict between country ownership and the lender's due diligence and enforcement of loan conditions needs to be focused on. Strong policies and institutions for successful reform, as highlighted by the literature on aid effectiveness, need to be emphasized as well as selectivity of more aid in favor of better-performing countries. Secondly donors need to place more emphasis on past reputation of recipient countries rather than placing too much conditionality on aid<sup>223</sup>. The author adds that strengthening partnerships on conditionality that is basically focusing on partnerships and coordination between recipients and donors, and among donors needs to be urgently focused upon. According to Koeberle, "conditions attached to policy-based lending, although conditions are sometimes involved indirectly in other lending activities—such as investment lending or triggers defined in Country Assistance Strategies or programs for Heavily Indebted Poor Countries."

African governments need to place more emphasis on basic education. In an attempt to integrate literacy, training and basic education opportunities in all policies South Africa has set the pace for the continent through ABET(Adult Basic Education and Training), this program integrates all learning opportunities from basic literacy to Grade 10 with clear progression routes between them<sup>224</sup>. Although ABET has had its own problems, its integration has helped to break down the artificial division between academic and practical skills. Such an integrated programme addresses needs of learners across the whole spectrum of society. According to UNESCO<sup>225</sup> lifelong learning needs to be embraced by African governments as an organizing principle. This

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<sup>222</sup> Stefan G. Koeberle: Conditionality: Under What Conditions? World Bank Research Observer: **Volume 18, Issue 2 Published:** (September 2003)

<sup>223</sup> Alice Atieno Oluoko-Odingo: Determinants of poverty: Lessons from Kenya: GeoJournal, Vol. 74, No. 4 (2009)

<sup>224</sup> Tonic Maruatona: Reflections on Policies for Mass Literacy Education in Sub-Saharan Africa: International Review of Education: Literacy Education for All: Challenges and Prospects (2008)

<sup>225</sup> UNESCO (2006)

would involve creating an environment in which African education systems would recognize literacy as the foundation stone of all learning. According to this organization, lifelong learning is inclusive and therefore provides an ideal perspective for planning literacy policies.

Another recommendation by UNESCO is to improve the quality of facilitator teacher recruitment and training in some African societies, such Botswana and Ghana. This involves communities selecting individuals to be trained as teachers based on their qualities. Those selected need sufficient training to teach adults effectively. According to the UNESCO report, one of the best systems in this regard is in Namibia, where teachers sign an annual contract subject to renewal based on their performance. The current teacher training, lasting for an average of 4 weeks, has proved sufficient, provided there is in-built support and refresher courses are available. The need for better qualified teachers could also be alleviated by hiring university trained but currently unemployed teachers. University students could also be engaged to serve as literacy tutors to improve the quality of literacy delivery in Africa recommends the report.

Provision of food security and incentives to grow more food as well as cash crops for export is a requirement in Sub-Saharan Africa. With reference to Kenya, about 70% of the country's population depends on agriculture, improving agriculture as well as diversifying this dependence to other more viable economic sectors is recommended. Provision of energy is central to better life and improved standards of living as energy aids access to jobs, food, health services, education, housing, running water, and sewerage<sup>226</sup>. The energy services include illumination, comfortable indoor climate, refrigeration, transportation, appropriate temperatures for cooking and materials among others. Improvement of the health sector is another recommendation. Health issues must be prioritized in order to eliminate or reduce poverty, as

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<sup>226</sup> Jose Goldemberg & Thomas B. Johansson, (Eds.): Energy as an instrument for socio-economic development. New York: United Nations Development Programme (UNDP) (1995)

food security is a major component of poverty. “A child born in Africa faces more health risks than a child born in other parts of the world. Such a child has more than a 50% chance of being malnourished a high risk of being HIV-positive at birth while malaria, diarrhoeal diseases, and acute respiratory infections account for 51% of deaths. A child born in the African region is more likely to lose his/her mother due to complications in child-birth or HIV/AIDS while that child has a life expectancy of just 47 years and is very likely at least once in his/her short life to be affected by drought, famine, flood or civil war or become a refugee” this is the opening quotation in a journal<sup>227</sup>”. According to some scholars<sup>228</sup>, African governments must create the conditions necessary for entire populations to meet and exceed basic needs as well as enable participatory and cohesive social systems; guarantee peace and human rights as well as sustain environmental systems.

Improving infrastructure in order to access natural resources as well as take development to the marginalized areas is an urgent requirement. Transport is one of the most important aspects for any viable economic development of a country. Efficient transport infrastructure is necessary for any country to compete in today’s economy. It is highly recommended that to solve the transport sector problem in sub-Saharan Africa, major issues, potential solutions and their policy implications need to be addressed<sup>229</sup>. In 1991 the World Bank estimates indicated that to restore and sustain that part of the road network that is economically viable, sub-Saharan Africa will have to spend a minimum of \$1.5 billion annually for the next ten years. The report adds that

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<sup>227</sup>Laetitia C. Rispel, César A.D. Palha et al: Can Social Inclusion Policies Reduce Health Inequalities in Sub-Saharan Africa? A Rapid Policy Appraisal: Journal of Health, Population and Nutrition, Vol. 27, No. 4, Special Issue: Social Exclusion: Inaugural Issue of the Gender Health and Human Rights Section (2009)

<sup>228</sup> Jennie Popay et al: Understanding and tackling social exclusion: final report to the World Health Organization's Commission on Social Determinants of Health. Lancaster: University of Lancaster (2008)

<sup>229</sup> John Mbwana: Civil and Environmental Engineering Transport Infrastructure in sub-Saharan Africa: Published in the Africa Notes (1997)

if sub-Saharan Africa is to have a sustainable transport infrastructure and be competitive in the world economy, it needs to reform the transport sector and take measures towards infrastructure ownership, infrastructure finance and operation. Frameworks need to be sustained by the government to formulate a national transport infrastructure. Towards this end, UNDP and some donor countries have sponsored a transport program for sub-Saharan Africa. The first type of infrastructure that could benefit from such unified standards is the road transport. The second transport infrastructure that should be coordinated is the rail. Environmentally sustainable transport policies must encourage non-motorized transportation by instituting non-motorized transport designs in future transportation infrastructures adds the report. Environmental conservation and adaptation and mitigation strategies to climate change should be prioritized to manage vulnerability to the predicted adverse impacts in the country, particularly, among the poor and encourage sustainable development.

Higher volumes of aid may improve efficiency of foreign aid as well as rapid disbursements of aid. Timeliness of aid disbursement helps in ensuring that project deadlines are met in an efficient and effective manner. A higher volume of aid, as promised in past pledges and commitments, is necessary help achieve aid effectiveness. Often pledges made at international gatherings such as the Monterrey Financing for Development Conference and the G8 Summit in Gleneagles have not been followed by fast disbursements. According to the Paris Declaration on Aid Effectiveness and the consecutive Accra Agenda for Action<sup>230</sup> donors and recipients must adopt certain measures to ensure aid efficiency. Amongst these measures is the agreement by donors to untie aid and improve aid allocation to ensure that it goes to the countries that need it the most. Donors are also expected to raise aid volumes – OECD data shows that the ratio of ODA to GNI in DAC member countries averaged about 0.32 per cent in

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<sup>230</sup> OECD: Paris Declaration and Accra Agenda for Action(2005 and 2008)

2010 according to recommendations made at the two conferences<sup>231</sup>. Donors must pay more attention to the composition or sectoral distribution of aid flows. In 2009 adds the UNCTAD report, about 45 per cent of the total bilateral aid commitments by DAC countries went to the social sectors, while the production sectors accounted for only 8 per cent. Sectoral allocation of aid also matters in determining its development impact. According to this report<sup>232</sup>, external financing in raising the level of domestic investment in the productive sectors is a requirement. The report shows that ODA flows targeted at economic infrastructure contribute strongly to economic growth. Such investments in capital formation in the productive sectors lead to faster growth of value-added and employment, which are essential elements of the development process.

Coordination mechanisms and commitment to abide by them is recommended - the Paris Declaration considered progress on aid coordination to be weak and felt that was of the feeling that lack of coordination generates risks of duplication and high transaction costs for recipient governments. The conference felt that joint missions were poorly coordinated and that changes in coordination practices remain few and far between. Donors need to deal urgently with the problem of aid unpredictability and volatility. Surveys by OECD<sup>233</sup> have shown that only 45 per cent of aid is delivered on schedule to recipient countries. In addition, it is estimated that an average of 33 per cent of delays or failure in disbursements are due to administrative and political problems on the donor's side. This causes difficulties in planning and executing budgets in recipient governments. Uncertainty of aid disbursements has a negative impact on growth<sup>234</sup>.

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<sup>231</sup> UNCTAD: Economic Development in Africa: Export Performance Following Trade Liberalization: Some Patterns and Policy Perspectives (2008)

<sup>232</sup> Op cit 17

<sup>233</sup> Op cit 16

<sup>234</sup> UNCTAD: Economic Development in Africa Report: Doubling Aid: Making the "Big Push" Work: United Nations publication Sales no. E.06.II.D.10. New York and Geneva (2006)



Increased government borrowing by African governments is recommended to curtail aid unpredictability. Short term aid commitments might however lead to monetary and fiscal instability. Increased government borrowing might cause further volatility but can be averted if donors have the political will to adopt measures that would reduce the likelihood of delays on their part. Donors need to show their commitment towards reduction of the negative impact of conditionalities on domestic ownership, as a clear indication of their commitment to strengthen aid effectiveness. Policy conditionalities are rooted in donors and recipients concerns to safeguard the integrity of their financing and the effectiveness of their ODA. Policy conditionalities have not always been effective in inducing the changes in recipient countries that donors desire to see. Many donors still use conditionalities as a basis for aid allocation. It should be noted, however, that traditional donors are increasingly making more efforts to address the issue of policy conditionality by streamlining the conditions attached to aid delivery.

Donors are requested to pay more attention to the development and implementation of macroeconomic policies<sup>235</sup> that lead to sustained pro-poor growth as well as policies and public interventions that improve the competitiveness of the private sector and create decent employment. Partner countries need to improve the availability of reliable, sex-disaggregated statistics that are crucial for understanding the functioning and dynamics of both the formal and informal labour markets and enhance evidence-based policy-making. Women and young people participation in the labour market is required. Addressing gender-based discrimination and the constraints and barriers that women and young people face as well as by strengthening measures to improve access to demand-driven vocational training is recommended.

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<sup>235</sup> OECD: Employment is the Major Route out of Poverty: How Donors Can Help: Policy Guidance Note: Employment Promoting Pro-Poor Growth: Employment: (2009)

On the part of the African countries, it is recommended the countries need to strengthen their leadership in the management of aid because by doing so, transaction costs of aid will be drastically reduced, thereby improving its effectiveness. African country leadership in the coordination of aid is legitimized by the Paris Declaration<sup>236</sup>. According to this declaration, such leadership must be exercised in dialogue with donors, and with the participation of civil society and the private sector. The Declaration affirms that “because demonstrating real progress at country level is critical, under the leadership of the partner we will periodically assess, qualitatively as well as quantitatively, our mutual progress at country level in implementing agreed commitments on aid effectiveness. In doing so, we will make use of appropriate country level mechanisms”. Rwanda’s Aid Policy in 2006, Uganda’s Joint Assistance Strategy for 2005–2009, and the United Republic of Tanzania’s Joint Assistance Strategy in 2006 are good examples of Sub Saharan government’s aid policies. On the other hand the following has been said of Kenya “Kenya has performed a curious mating ritual with its aid donors. The steps are: one, Kenya wins its yearly pledges of foreign aid. Two, the government begins to misbehave, backtracking on economic reform and behaving in an authoritarian manner. Three, a new meeting of donor countries looms with exasperated foreign governments preparing their sharp rebukes. Four, Kenya pulls a placatory rabbit out of the hat. Five, the donors are mollified and the aid is pledged. The whole dance then starts again<sup>237</sup>”.

African governments need to reassert themselves in these donor-recipient relationships. Recipient governments need to know that it is a necessity for aid to be aligned to national development strategies, and a necessary condition for sustainability, and that this should not

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<sup>236</sup> OECD: The Paris Declaration on Aid Effectiveness (2005)

<sup>237</sup> The Economist, 19th August, 1995)

systematically be enforced. Quality national development plans and a demonstrated and sustained good macroeconomic track record are necessary for the recipient government's credibility in performing its leadership role<sup>238</sup>. Strengthening of domestic resource mobilization is a prerequisite for African governments. The governments must own their development; aid has an important role to play in Africa's economic development, it is important that governments take proactive measures to achieve sustained economic growth and to lay the foundations for exiting from aid dependence in the long run. This is because aid can create dependence. To this extent, African countries must mobilize domestic resources, and also encourage donors to direct part of their aid to boosting domestic capacity for resource mobilization<sup>239</sup>.

Accountability of African governments to their citizens and other stakeholders is recommended. African governments have been accused of being accountable to the donors but not at all to the local stakeholders<sup>240</sup>. African countries have to give their views on what needs to be done to strengthen aid effectiveness and repeating previous instances of missed opportunities for a common and unified vision. Formation of regional bodies to deal with aid effectiveness is recommended. African Union Commission and the NEPAD Planning and Coordinating Agency are good examples of such bodies. Such organizations will help prepare African governments to have a united front and voice in future aid effectiveness conferences. The government needs to take measures to improve employment, productivity and working conditions in the informal economy, facilitate formalisation, encourage entrepreneurship and promote more, productive and decent employment in the formal economy<sup>241</sup>.

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<sup>238</sup> Ibid 20

<sup>239</sup> UNCTAD: Economic Development in Africa: Reclaiming Policy Space –Domestic Resource Mobilization and Developmental States. United Nations publication, sales No. E.07.II.D.12. New York and Geneva (2007)

<sup>240</sup> UNECA: Assessing Regional Integration in Africa Towards Monetary and Financial Integration in Africa (2008)

<sup>241</sup> Op cit 26

According to a World Bank report<sup>242</sup> confirmed that foreign aid contributes to economic growth when economic policies are good. This is according to one scholar who feels that sound management that produces macroeconomic stability, openness, rule of law, and absence of corruption leads to growth and poverty reduction are most often than not the main agenda of foreign aid<sup>243</sup>. Sound management creates the right environment for aid to reduce poverty. According to the report, “research on aid effectiveness has emphasized that a good policy environment and effective public institutions are essential if development assistance is to foster growth, reduce poverty, and improve social conditions”. The principal economic rationale for aid is to increase growth rates in recipient countries. This has been the driving economic objective of aid for decades<sup>244</sup>. In 2002 President of the United States, G.W. Bush expressed the opinion that greater aid must be tied to political, legal and economic reforms<sup>245</sup>. Towards this goal he announced the establishment of a new Millennium Challenge Account to provide an additional five billion dollars in grants to developing countries and is quoted to have said that “these new funds will be devoted to projects in nations that govern justly, invest in their people and encourage economic freedom”.

According to a report attributed to the Canadian government, the Standing Senate Committee on Foreign Affairs and International Trade the main impediments to growth are, inflexible and closed trade regimes in Africa, low private and public savings rates and most importantly, neglect of infrastructural development this is seen as a central factor in crippling

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<sup>242</sup> World Bank: Assessing aid: What works, what doesn't, and why. Washington, DC: World Bank (1998)

<sup>243</sup> Mohammad In'airat: Aid allocation, selectivity, and the quality of governance: Journal of Economics, Finance and Administrative Science 19 (2014)

<sup>244</sup> H. Chenery & Strout A.: Foreign assistance and economic development. American Economic Review (1966)

<sup>245</sup> United Nations Department of Economic and Social Affairs: Financing for Development Office: [ffdoffice@un.org](mailto:ffdoffice@un.org) Website: [www.un.org/esa/ffd](http://www.un.org/esa/ffd) (2002)

trade and development<sup>246</sup>. To counter these impediments to growth will take the strategic use of foreign aid initiatives as well as proper governance African countries. Aid must be allocated strategically to help foster growth and development. This is reinforced by continued tight aid budgets. More funding must be sought from new aid countries or newer donors worldwide. African governments should strengthen their ability to respond to all kinds of humanitarian disasters. Making preventive investments to counter the effect of such calamities needs to be at the forefront of all sub Saharan governments agenda.

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<sup>246</sup> Standing Senate Committee on Foreign Affairs and International Trade: Overcoming 40 Years of Failure: A New Road Map for Sub-Saharan Africa (2007)

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