



**Protecting Aid Funds in Unstable Governance Environments:
Towards an Integrated Strategy**

Lisbon, 18-19 May 2010

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Can aid agencies *really* help combat corruption?

An overview of donor policies and practices in East Africa

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Summary

For nearly two decades bilateral and multilateral development agencies have been concerned with the negative impact of corruption on their aid programmes and projects. Aid is particularly vulnerable to corruption and misuse in countries that are poorly-governed and/or recovering from natural and political disasters. The rapid increase in aid and other transfers during the last decade has increased the size of the target. The move towards budget support during this period has increased the vulnerability of recurrent budgets to corruption and waste.

Over the years, agencies have deployed a number of weapons from the anti-corruption armoury in their 'fight against corruption.' Their first efforts concentrated on creating and/or strengthening key state institutions and improve budgetary processes in order to prevent or sanction corrupt practices. To this were added attempts to sponsor civil society activism and the press as agents of consciousness-raising and public transparency. More recently, aid agencies, national governments and other international organisations have begun to coordinate attempts to reduce corruption on the supply-side of aid, to prosecute companies involved in corrupt practices, to catch corrupt officials from aid recipient countries, and to oblige banks to return corrupt money.

But although the target aid agencies aim at has grown bigger with the years, and the weapons available multiplied, their aim seems not to have improved much and the battle is not being won. This paper asks why, and what can be done to improve aid agencies' marksmanship in the continued fight against corruption, waste and inefficiency in poor, aid-dependent states. It concludes that the weapons deployed are not capable of defeating the real enemy, namely, the uncontrolled proliferation of public and private 'aid' of all types in development contexts that are themselves often profoundly problematic.



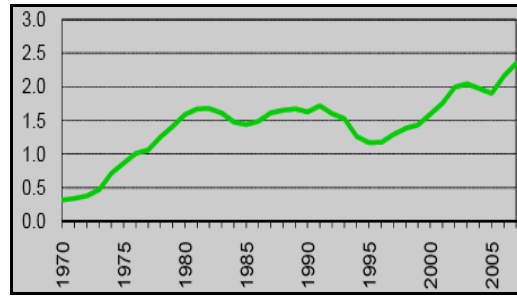
Disclaimer

Some aid agencies and many aid workers and recipients put aid to the best possible use. This is not incompatible with the view that collectively aid suffers from fundamental, structural defects that seriously undermine aid effectiveness, leading repeatedly to perverse and unintended outcomes.

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Trends in net ODA to Tanzania at 2007
prices and exchange rates, USD billion





CAN AID AGENCIES *REALLY* HELP COMBAT CORRUPTION?

An overview of donor¹ policies and practices in East Africa²

Brian Cooksey, Tanzania Development Research Group

'Foreign aid ... provided a massive boost to rent-seeking.'
Patrick Chabal³

'The political economy of aid agencies is driven by incomplete information and multiple competing objectives and confounded by principal-agent and collective-action problems.'
Owen Barder⁴

1.0 Some background

For the last 15 years I have regularly repeated the following opinions to meetings like this one:

- First, aid agencies are more or less vulnerable to corruption, depending on the *type of agency* and the *effectiveness of the accountability mechanisms* in place.
- Second, in countries where aid constitutes a significant proportion of total savings, investment, and recurrent expenditure, aid is vulnerable to systematic misappropriation and may present *perverse incentives* to recipient governments. On balance, the way donors deliver aid *promotes more than it prevents corruption*.⁵
- Third, given the degree of aid dependency in sub-Saharan Africa, and their own self-interest, aid agencies are reluctant to apply their formal 'zero tolerance' principles in practice, and may consequently *ignore, deny or trivialise* evidence of systematic corruption, including the misuse of their own programme or project funds.⁶

In a typical paper, I would attempt to substantiate the above opinions with a mass of fresh empirical evidence from academic studies, sector reviews, evaluations, consultancies, websites, media reports and my personal experience as a consultant, journalist and researcher.

During these 15 years, I have not had cause to change my formal position on the relationship between aid and corruption⁷ in any fundamental way. On the contrary, my experience during this period has served to reinforce the conviction with which I hold these views. Though I cannot prove it, I would also argue that the *causal relationship* between aid and corruption has *become stronger* in recent years, during which aid agencies have adopted the 'good governance' discourse and committed substantial human and financial resources to help improve governance and reduce corruption in countries like Tanzania, Uganda and Kenya. In my view, this deepening and broadening of the aid-corruption causal nexus is in large part the result of the rapid growth and diversification of sources of development aid of all kinds. The effect of increasing aid on formal state and non-state institutions in aid recipient countries, as well as on the practice of patronage and rent-seeking, are under-researched areas. Below I cite some examples.

Rather than present a new set of updates of rent-seeking and corruption by



governments and private actors in the East African region, I will sketch some of the main trends in development assistance that I consider key in order to justify my conclusion that, on balance, aid contributes much more to corruption among aid recipients--aided and abetted, it must be stressed, by private agents in their own countries and abroad--than to providing the resources to 'fight' it.⁸

The rest of this paper is organised as follows. **Section 2** briefly sketches the emergence of the aid-dependent state, which turns out to be a two-way dependency. Armed with the concept of reciprocal aid-dependency, **Section 3** attempts to demonstrate that my three original points concerning the aid-corruption nexus are still valid. **Section 4** summarises changes in the aid relationship that might help explain the 'observed' trends. **Section 5** considers the impact of changing aid patterns on governance and **Section 6** briefly reviews external efforts to improve corruption control. **Section 7** offers some personal reflections on these issues. **Section 8** summarises and concludes and **Section 9** suggests things to do if we want to make progress in understanding the aid-governance relationship.⁹

2.0 The rise of the aid-dependent state¹⁰

As African countries become increasingly dependent on foreign aid and private transfers to finance their budgets, so *aid-dependency* becomes one of their defining characteristics. For their part, aid agencies must maintain a functioning aid relationship, making them 'aid-dependent' too. Since neither side can live better without the other, the relationship is one of *mutual or reciprocal dependency*. The ADS is the result of the rapid rise in both old and new forms of 'aid' in the 21st century. At the highest level, it is underwritten by the global security concerns of the G8 and its allies. Aid dependency makes it extremely difficult for the aid industry¹¹ to make aid conditional on anti-corruption and 'good governance' efforts.

Some countries are more aid-dependent than others, of course. In East Africa, Kenya is the least and Tanzania the most aid-dependent country, with Uganda nearer Tanzania than Kenya.¹²

Research suggests that aid of different kinds is 'instrumentalised' by the ruling coalitions¹³ in ADS through patronage processes aimed at maintaining political power and warding off threats from potential opponents. Policies to 'reduce aid dependency' are proclaimed but not implemented.

The ADS enjoys a powerful ideological state apparatus¹⁴ which elaborates pro-aid dependency discourses to counter any external criticism. 'Aidwash' is the production of narratives designed to convince taxpayers in rich countries that their aid is put to good use. Aidwash is motivated by the desire to maintain or increase current aid flows irrespective of the constraints on aid effectiveness or the 'performance' of ADS. **Textbox 1** cites research supporting the view that aid may increase the incidence of corruption and poor governance. If this is correct, it follows that long-term aid dependence and steady increases in aid flows may have catastrophic results.

In sum, the proliferation of aid agencies and the rapid rise in aid transfers in



recent years has stimulated the emergence of the aid-dependent state. This state has strong defenders on both the supply and demand sides.¹⁵

As a result, donors tolerate egregious levels of corruption and misgovernance. In such a situation it is difficult to protect donor money against misuse.

Textbox 1: Does aid cause corruption?

There is evidence that aid dependence is a cause of corruption. **According to Steven Knack of the World Bank** 'Aid dependence can undermine institutional quality by weakening accountability, encouraging rent seeking and corruption, fomenting conflict over control of aid funds, siphoning off scarce talent from the bureaucracy, and alleviating pressures to reform inefficient policies and institutions.' Knack's 'analyses of cross-country data provide evidence that *higher aid levels erode the quality of governance*, as measured by indexes of bureaucratic quality, corruption, and the rule of law. ... Recent studies have concluded that aid's impact on economic growth and infant mortality is conditional on policy and institutional gaps. The author's results indicate that the size of the institutional gap itself increases with aid levels.'

'Large amounts of aid over an extended period from multiple and uncoordinated donors provided to weak and often poorly coordinated government ministries have further weakened those ministries and undercut key government processes (especially planning and budgeting).'

Source: Steven Knack 2000 (emphasis added). **Lancaster & Wangwe 2000**

I now return to my three original issues.

3.0 Three theses on aid and corruption¹⁶

Over time, I have tracked evidence in East Africa concerning the three propositions with which I started, namely, that *some aid agencies are vulnerable to corruption*, that *aid provides low-risk opportunities to recipient government officials*, and that *development agencies are reluctant to look for or accept evidence of significant corruption* and, if necessary, *tend to deny, cover up or trivialise corruption identified by others*.

I believe the empirical evidence supporting these theses is overwhelming, though I could not demonstrate this quantitatively. Careful comparative case studies of the East African countries would be the nearest I could hope to get to 'proof'.

3.1 Some aid agencies are vulnerable to corruption

As a rule of thumb, larger aid organisations are more vulnerable to internal corruption than smaller ones, and multilateral agencies more than bilateral. I will refrain from making invidious comparisons between agencies. Beginning with the World Bank, a number of agencies have taken steps to address internal corruption issues in recent years. These steps include investigating staff members accused of corruption and barring companies found to have been involved in corrupt contracting and procurement on loan-financed projects. Few agencies have done as well as the World Bank in addressing corruption in their own ranks and sanctioning contractors for paying bribes. These initiatives are to be welcomed and may have provided incentives to agency staff and contractors



to be more virtuous. By contrast, the financial management of World Bank (IDA) and other soft loan-funded projects and programmes is generally shrouded in mystery, and cases of corruption reported few and far between.

There are numerous examples where collusion takes place between aid giver and recipient, including the identification of beneficiaries of loans, and hiring of contractors and consultants. For example, in 2008, the East African Development Bank posted large losses related to bad loans to Kenyan and Ugandan companies owned by people 'with powerful political connections.'¹⁷

However, the most serious issue is not internal corruption or collusion, however vexatious these may be, but the corrupt use of aid by recipient governments, discussed below.¹⁸

3.2 *Aid provides low-risk rent-seeking opportunities to recipients*

Officials' and politicians in aid-dependent countries are used to receiving large amounts of aid on the understanding that they implement specific policies and not others. Over the years, it has become clear that there are virtually no policy conditions on aid—including addressing corruption—that could seriously compromise aid flows. Promises unleash the aid, not successful reform. This failure of donor 'conditionality' has been noted many times.¹⁹ Conditionality was abandoned as a result of the widespread failure of structural adjustment policies. Formally, at least, the policy regime has to be 'locally owned', in order to assure effective implementation. Nevertheless, there are still conditions on large swathes of aid--and they are still ignored with impunity. Critics claim that weaknesses in the budgetary process have not been addressed through past reforms, and that much donor money is disappearing in rent-seeking, cronyism and looting as a result.

Trends in the degree of corruption in aid cannot be known with confidence because ADS erect *cordons sanitaires* around the more 'sensitive' areas, including loans from the World Bank and other lending agencies mentioned above.

3.3 *The way donors deliver aid encourages corruption*

Experience suggests that aid agencies have an extremely high pain threshold when it comes to tolerating the misuse of aid funds through corruption, waste and inefficiency. Without this high tolerance, it would be difficult to continue in business, since ADS are generally the worst governed and most corrupt (that's a big part of why they are poor).²⁰ Research might show that the preparedness of donors to take strong public positions on key governance and human rights issues has declined since the formal rejection of conditionality and the stress on 'local ownership' of the development process.²¹ It is ironic that an upward trend in aid transfers has gone hand in hand with the apparent disempowerment of donors.²²

Some aid agencies are reluctant to look for or accept evidence of significant corruption and tend to deny, cover up or trivialise examples of corruption identified by others. I give some examples below. The donor side of the ADS has always been constrained by the imperative to keep the aid flowing at almost



any cost. We hypothesise that increasing aid volumes--often driven by political commitments to reach such-and-such a percentage of GNI--increases pressures to disburse unconditionally. Agency proliferation will have the same effect. Only large-scale violence and insecurity will force donors to reduce or stop development assistance.²³

Textbox 2

Does foreign aid help the government or the people?

The government of course!

The Views of the People survey (2007) asked a representative sample of adult Tanzanians whether they thought foreign aid benefited Tanzanians in general or mainly politicians and government officials. Of those offering an opinion, 85 percent agreed with the latter statement and nearly two-thirds believed 'strongly' that this was the case. In the 1980s, when projects were the modal aid mechanism, evaluations by various agencies 'cast doubt on the capacity of aid to reach the very poorest.'

Source: REPOA 2008; Lipton 1986

As well as noting regularities in the aid-corruption interface, I have also witnessed a number of more or less dramatic changes concerning the relationship between the two, discussed below.

4.0 The major changes in the aid relationship 1995-2010

Aid has increased tremendously in volume; it now comes from a more diversified range of agencies, countries, and philanthropies with differing ideological, political, and policy profiles and agendas. More aid from diverse sources makes aid coordination increasingly difficult. Below I sketch these quantitative and qualitative changes in aid.

4.1 Aid has increased in volume...

Aid budgets declined in the 1990s, but in the last decade trends have been significantly upwards in total transfers and in per capita terms. For example, net ODA to Tanzania was USD 29 per capita in 1996, 36 in 2001 and 58 in 2008.²⁴ Tables 1 and 2 present data on net ODA transfers to Africa in 2008.

Table 1: Top 10 ODA recipients in Africa

Recipient 2008	Amount \$m	%
Ethiopia	3 327	8
Sudan	2 384	5
Tanzania	2 331	5
Mozambique	1 994	5
Uganda	1 657	4
D R of Congo	1 610	4
Kenya	1 360	3
Ghana	1 293	3
Nigeria	1 290	3
Cameroon	525	1
Others	26 235	60
Total	44 005	100

Table 2: Top 10 ODA donors to Africa

Donor 2008	Amount \$m	%
USA	7 202	16
EU Institutions	6 012	14
World Bank/IDA	4 053	9
France	3 370	8
Germany	2 703	6
United Kingdom	2 594	6
African Devt Fund	1 625	4
Japan	1 571	4
Netherlands	1 516	3
Global Fund	1 372	3
Others	11 986	27
Total	44 005	100

Sources: Aid to Africa stats.pdf

<http://www.oecd.org/dataoecd/40/27/42139250.pdf>

ODA to Africa increased by a third between 2005 and 2008, reaching USD 44



billion.²⁵ Multilateral aid increased from USD 11.5 billion in 2006 to 16.2 billion in 2008 (**Appendix 2**, Table 2.2). The EU, WB/IDA and the ADF were the main multilateral donors.

Although foreign aid is not particularly popular in the United States, it is supported by significant majorities of Europeans and Scandinavians. Pro-aid lobbies and celebrities keep up the pressure on donor agencies to maintain or increase net transfers. More aid is mobilised to help poor countries meet the (increasingly unachievable) Millennium Development Goals. The message is that aid volumes need to increase in order to reduce poverty. The view that, beyond a certain point, development aid to badly governed countries is counterproductive, that it fails to reach the poor, undermines private sector development, creates debt, and that it is therefore *worse than useless*, remains a minority view.²⁶ Does ideology or self-interest underlie this sad misuse of moral commitment?

4.2 ... and there are more players than there were before

As GNIs rise, so more countries become aid donors (think Ireland, South Korea, Spain, Portugal, Poland, India) or major sources of concessionary loans (the Middle East, China).²⁷ At the same time new philanthropic foundations have come on stream, some of them many times larger than the average aid donor (Gates/Buffer), providing growing volumes of (mostly off-budget) transfers.²⁸ Deutscher and Fyson²⁹ (2008) report the following staggering global numbers:

- 280 bilateral donor agencies;
- 242 multilateral programs;
- 24 development banks;
- 40 United Nations agencies (about)

This excludes private foundations and NGOs, which serve to 'add to the complexity.' In 2008 there were an estimated 340,000 development projects around the world. If the aid industry were a business it would rank in the top 50 of the Global Fortune 500 companies.³⁰

There is a view that the emergence of China as a major source of soft loans and investor in natural resource and infrastructure projects has had a profound impact on the pre-existing aid relationship, and strengthened the bargaining hand of aid recipients vis-à-vis their traditional donors. Whether this is good or bad depends on ones relative assessment of the merits and demerits of the two types of aid. The view that the Chinese are soft on bad governance and prepared to tolerate / participate in corruption is considered rather sensationalist by informed observers.³¹

To my knowledge, there is no system in place to track the multiple new sources of development aid and their impact.

4.3 Agendas have changed since the fall of communism and the Twin Towers...

Whereas during the Cold War aid was used to support obscenely corrupt anti-communist regimes in Africa, Latin America and Asia, aid is now mobilised in



support of the global fight against terrorism.³² East Africa is a proven target for terrorist attacks and a strategic location for US military activities in Africa and the Indian Ocean. Can we draw a parallel between the former dictators and the current leaders of Africa in terms of tolerating their mal-governance and receiving more aid as long as they remain 'on side'?

4.4 ... and aid modalities have moved from projects to budget support

The rise of general budget support (GBS) has been the main innovation in aid delivery modalities over the last decade and a half, though other forms of aid have continued. In 2009, a group of 14 donors pledged USD 831 million for the Tanzanian recurrent budget, up from USD 750 million the previous year.³³ GBS and sector budget support ('basket funds') raise the issue of fungibility,³⁴ whereby aid effectively finances a significant proportion of all corruption (plus waste and inefficiency) in capital and recurrent budgets. Over-commitment to general budget support (GBS) under the Poverty Reduction Strategy Paper (PRSP) principles has proven a high-risk activity.³⁵

A cynic might argue that the need to unload ever larger amounts of cash predisposes donors to the simple ('rapid disbursement') solution of putting more of it into the budget. The main risk attached to GBS is, of course, the degree to which corruption, waste and incompetence in central government undermine the budgetary process. The risk management strategy donors adopted was to provide additional assistance to improving state capacity to manage the budget and improve service delivery along with a swathe of new initiatives to support the watchdog role of parliament and the promotion of civil society and the media as 'external' watchdogs of state performance, discussed further below.

5.0 The impact of new aid patterns on governance & corruption control

How do changing aid patterns affect the relationship between aid and corruption control? In **Section 3** I claimed that aid promotes more than it restrains corruption.³⁶ More aid means more corruption (**Textbox 1**). I do not have the space to go into the details of how this works on the ground. The main mechanisms for plundering aid are a mix of the old and the new. The old mechanisms include the misuse of loans from the WB and other lending agencies (**Textbox 3**).³⁷

Textbox 3:

Remember Lords of Poverty?³⁸ Here are the Gods of Lending!

Steve Berkman's *Gods of Lending* (2008) is a World Bank insider's dystopian portrayal of how evidence of systemic corruption in Bank-financed projects in Africa is routinely ignored by the Bank's senior management. Berkman demonstrates with multiple examples from West Africa that the WB's stated concerns with corruption control are never allowed to challenge its aggressive lending practices. He cites documented examples of theft that are never mentioned in 'staff appraisal reports, credit agreements or any subsequent project planning' (page 133). His 16 years in 'the Bank' taught him that 'in a bureaucracy, the appearance that one is managing is much more important than the act itself' (page 11) and that 'the intellectual fantasy world in which too many of the Bank's economists live and the real world of Africa has largely contributed to the Bank's failures there' (page 20). 'By avoiding the reality of African politics, power and corruption, the Bank's economist managers have done a great disservice to Africa and to the Bank' (page 20). Berkman is the last of a long



line of critics of WB lending practices. The Wapenhams Report (1992) noted 'a pervasive preoccupation with new lending' and 'an approval culture' in which Bank staff rush to approve new projects.' In 2003, William Easterly (another critical insider) observed 'Aid agencies seem reluctant to promote honest evaluations that could lead to publicity about failures. ... The World Bank reviews only 5 percent of its loans ... for development impact.' Even these evaluations 'are often sanitized as they are reviewed by management.' The 2000 Meltzer Commission, an independent group appointed by the US Congress, reported World Bank project failure rates of 65-70 per cent in 'the poorest countries.'

Sources: Berkman 2008, World Bank 1992; Easterly 2003; Cooksey 2003b

New mechanisms include plundering budget support and money channelled through global (especially public health) funds and civil society (NGOs). The rise of GBS as the main financial aid disbursement mechanism has focused attention on the budget as a main source of illicit rents. I do not have the space to document the numerous ways in which the national budget is plundered through rent-seeking, rent-scraping, and cronyism. Despite many years of reform, key aspects of the budget cycle remain opaque and allow for systemic corruption, waste and inefficiency throughout the region. Fungibility makes it virtually impossible to separate the plunder of GBS from the plunder of the budget *tout court*. Below I look briefly at the rise of global funds and civil society.

5.1 The rise of global funds

Global funds for different sectors have grown in importance over time. The main funds include the Global Environmental Facility (GEF), four large global HIV/AIDS programmes--UN-AIDS, the (US) President's Emergency Plan for AIDS Relief (PEPFAR), the Global Fund to Fight AIDS, Tuberculosis and Malaria (GF), and the World Bank's Multi-Country HIV/AIDS Program for Africa (the MAP). GAVI is the global fund for vaccines. A 'global warming' fund is under preparation. Health funds spend very large amounts of money on preventive and curative interventions through government and non-government channels. In 2008 alone, PEPFAR distributed more than a billion USDs in the three East African countries.³⁹ The Millennium Challenge Account (MCA) is a time-bound US initiative distributing large grants to qualifying poor countries to help them reach the Millennium Development Goals (MDGs).⁴⁰ The Gates Foundation spends huge amounts of money on public health in poor countries. And so on.

The amounts of new money involved in such initiatives and the multiplicity of agencies disbursing funds raise issues of local absorptive capacity, the efficiency of fund utilisation and impact on intended beneficiaries. For example, between 2002 and 2009 the Global Fund Board approved grants worth USD 785 million for Tanzania, and requests for similar amounts are in the pipeline.⁴¹ Though much money is put to good use by reputable local and international organisations, the amounts involved and the continued emphasis on capacity-building, training and health education create perverse incentives for overspending and the misuse of funds, which may go unreported and unsanctioned. An audit report by the Office of the Inspector General of the GF in Tanzania (June 2009) 'points to serious shortcomings in the way the grants are managed and monitored in the country. It particularly raises concerns about the



supply chain, financial and programme management and reporting.’ In Uganda, audits revealed large scale fraud in the management of the GF, with more than 400 fraud and corruption cases referred to the Ugandan authorities.⁴²

Lack of coordination on the part of donors may lead to overfunding, which may encourage the unscrupulous to double-finance the same activity. The amounts spent on travel, seminars, workshops, and so on *just to spend the money* can reach scandalous proportions.⁴³

In this and other examples, the donor or the donor’s agent has inadequate resources to monitor disbursements or assess impact. For example, PEPFAR, which is administered by USAID, spent USD 140 million in Tanzania during 2008, and worked through 36 ‘implementing partners.’

5.2 The rise of civil society

Another example of a donor-driven initiative with serious consequences for ‘local ownership’ of development efforts is the rapid efflorescence of civil society in Africa. The rise of global funds described above has provided a major stimulus to local NGOs. Democratisation, poverty reduction, good governance, public expenditure tracking, and ‘fighting corruption’ have provided other opportunities. The next round of externally-driven growth in civil society is already underway with the involvement of international aid agencies in global carbon trading through REDD.⁴⁴

The external origins of much of civil society in Africa has been commented on for over a decade.⁴⁵ Since those who run civil society organisations (CSOs) in ADS come from the same socio-cultural background as the political class and state functionaries, it would be surprising if there were no synergy between these three groups.

The effectiveness of support for civil society in Africa has yet to receive the research attention it merits. One cause for concern is the long chain of principal-agent linkages between the source of the aid and the final recipient, making accountability difficult. An example is bilateral aid channelled through northern NGOs and churches distributed to local organisations through umbrella organisations in recipient countries.⁴⁶ The EU is a major source of finance for civil society in East Africa. I am not aware of any major evaluation of its effectiveness.

International NGOs have also grown in number and size over time. Some of these receive state funding, others are privately financed, or a combination of the two. CARE, a US-based INGO, had a global budget of over USD 600 million in 2007, making it far larger than many bilateral aid organisations.⁴⁷

6.0 Efforts to reform aid delivery and anti-corruption

A multiplicity of donors, the complexity of their separate procedures, and the procedural and data requirements of project implementation and monitoring can put intolerable burdens on the recipient’s administration. ... Under such circumstances it is no wonder that the whole of aid may turn out to be smaller than the sum of the parts.

Cassan 1985



The increasing complexity of the global development aid architecture sketched above and the perceived lack of transparency and accountability in the aid relationship highlighted in recent years by international NGOs have prompted major efforts to reform aid delivery. The way donors address corruption is directly related to these efforts to improve aid delivery. Within OECD/DAC, reform efforts have focused on aid harmonisation, coordination and 'de-fragmentation'. **Textbox 4** summarises a relatively recent milestone in attempts to increase aid effectiveness.

Textbox 4: The Accra Agenda for Action

The **Third High Level Forum on Aid Effectiveness** held in Accra in September 2008 deliberated on improving the delivery of development assistance. 'Critics say that the effectiveness of more than \$100 billion of international aid that is channelled to the developing world each year is often undermined and obstructed by bureaucratic bottlenecks, delays, overlapping and political interests. Concerns about corruption and the squandering of aid funds, especially in weak states in Africa, have also triggered debate about how much donor governments should try to maintain control and oversight over their aid programmes. Recipient countries insist that aid must follow their own development strategies.' NGOs attending the Accra meeting took issue with the fact that there was no agreement to remove conditions from aid, singling out the World Bank, Japan, and the US for 'intransigence'.

Source: *Thisday*, Dar es Salaam, 4 September 2008; *Citizen*, Dar es Salaam, 6 September 2008

Recent efforts to improve aid transparency are summarised by Bader (2010):

'Internationally, there are already positive moves towards making aid transparency the new reality. The International Aid Transparency Initiative (IATI), launched at the Accra High Level Forum ..., is making huge strides in the right direction. Since ... 2008, IATI has been signed by 18 donors, who collectively account for approximately half of global ODA, and it has been endorsed by a growing number of developing countries. ... developing a new standard for the publication of aid information is now underway. This global standard ... will ensure that detailed aid information from different donor sources is easily comparable and accessible to everyone. The successes of aid will be highlighted and repeated, the failures exposed and terminated.

Yet, despite this upbeat assessment, there is little evidence to date that the Paris Declaration and subsequent 'High Level' fora have had much effect. Boesen states bluntly that 'the 27 EU countries ... are all busy with their own aid systems rather than building a strong joint European institution that could compete in quality and financial muscle with institutions such as the World Bank.'⁴⁸ The OECD/DAC Development Co-operation Report (2009) 'concluded that the ever growing number of donors and aid agencies and mechanisms across the world is making "aid increasingly fragmented and reducing its effectiveness." ' In two years, more than 14 new bilateral and multilateral mechanisms for financing environmental policy had been created.⁴⁹ **Textbox 5** shows how aid inefficiency reduces its total value.



Textbox 5: A comment on European Union aid effectiveness

The European Union (EU) has committed more than €1.3 billion to Tanzania, Kenya and Uganda for the period 2008-13. According to **Trade Negotiations Insights** the EU could save € 3-6 billion per annum 'by streamlining the delivery of overseas development aid.' '*...the proliferation of different donors and fragmented aid programs present the greatest obstacle to the cost-effective distribution of development assistance. According to a 2005 study *The Aid Effectiveness Agenda: Benefits of a European Approach* 'governments receiving aid complain of the process "as donor driven, procedurally complicated and leading to a lack of control and ownership of [their] own development ambitions and strategies."* The volatility of EU aid 'makes it difficult for developing countries to effectively allocate aid funds, reducing the value of aid by between 8 and 20 percent.'

Source: Service économique régional pour l'Afrique de l'est et l'Océan Indien 2009; Trade Negotiations Insights 2009 (emphasis added)

There is a long history of failed attempts at aid coordination and defragmentation. Successes are exceptional and usually short-lived Van de Walle and Johnston's observation of 1996 is still valid today:

'... coordination is onerous for aid bureaucracies, implying as it does the adaptation of internal management procedures to suit those of other donors or the government. The bureaucracy resists the resulting loss of discretion and power, even when the front office sincerely supports greater coordination. In sum "all donors want to coordinate, but no one wants to be coordinated."⁵⁰

We conclude that aid agencies find reforms designed to improve coordination very difficult to operationalise, despite a formal desire to do so. The bigger the agency, one supposes, the greater the opposition to coordination. Uncoordinated aid means that donors can swamp aid recipients with financial support far in excess of 'absorptive capacity.' Aid to CSOs is a contemporary case in point.

Equally intractable obstacles to greater aid effectiveness are also found on the recipient side. Political economy suggests that aid effectiveness is compromised by political interests in recipient countries. In recent years, a number of donors have begun to integrate a political economy approach into their strategic planning, programme design and evaluation processes.⁵¹ These studies have revealed what goes on behind the façade of the state, and why and how informal institutions and processes shape so much of how things work in developing countries. For example, NORAD's 2008 Evaluation of Norwegian aid to Zambia concluded as follows (**Textbox 6**).

The Tanzanian 'leaders of change' research programme found that a number of key policy decisions were the result of executive initiatives, that the executive enjoyed wide discretionary powers, that aid had little impact on policy-making, and that the level of executive accountability was very limited.⁵²



Textbox 6: How Zambian politics compromise aid effectiveness

A 2007-08 evaluation of Norwegian aid to Zambia concluded as follows:

- 'Norway and other donors have been largely blind to the political consequences of development cooperation' and this has limited the impact of our engagement.
- NORAD's review of anti-corruption projects highlights that 'much aid in this area is provided without taking the political situation into account.'
- The joint evaluation of Support to Citizen's Voice and Accountability demonstrates 'how difficult it is to influence power structures in a county.' And
- Evaluations in the fisheries and natural resources sectors have echoed the same point....that POLITICS MATTERS.

Source: NORAD 2008 (emphasis in the original)

The need for greater transparency and accountability as ways of improving governance in aid recipient countries is now being applied to aid agencies themselves, albeit belatedly. Bader (2010:7) summarises this trend:

'Internationally, there are already positive moves towards making aid transparency the new reality. The International Aid Transparency Initiative (IATI), launched at the Accra High Level Forum on Aid Effectiveness, is making huge strides in the right direction. Since its launch in 2008, IATI has been signed by 18 donors, who collectively account for approximately half of global ODA, and it has been endorsed by a growing number of developing countries.'

A number of international civil society initiatives are also underway to make information on aid disbursements more accessible and user-friendly (Bader *ibid*):

'The hard work of developing a new standard for the publication of aid information is now underway. This global standard, when applied across the development system, will ensure that detailed aid information from different donor sources is easily comparable and accessible to everyone. The successes of aid will be highlighted and repeated, the failures exposed and terminated.'

There is a lot of interest in international aid circles in making aid more 'results oriented'. Bader envisages turning aid into a competitive industry, in which only the successful agencies survive. Though the survival of the fittest by natural selection has demonstrated its viability in the animal kingdom, it is not at all self-evident that 'aid' is capable of switching to a Darwinian paradigm, particularly when the biggest agencies might be cast in the dinosaur role.⁵³

One interesting new strand of this approach is to bypass state and civil society organisations as much as possible and use the emerging mobile phone technology to spread information so as to 'empower' individuals and groups in their attempts to make government and aid agencies more accountable and 'results oriented' among other objectives.⁵⁴

Recent proposed solutions to the aid effectiveness conundrum include: contracting with governments to reform their business-suppressing policies and setting up ring-fenced economic development areas, monitoring aid commitments and disbursements more closely ('publish what you pay'), the



replacement of aid by commercial borrowing and venture capital, and turning aid into a virtual, performance-based, market.⁵⁵ These proposed solutions fail adequately to address the entrenched interests of both aid givers and takers in maintaining the current Faustian aid pact which is the ADS.

It is important for aid agencies to be seen to be *addressing the problem*, even if progress is slow.⁵⁶ Institutional amnesia is also functional, since it avoids admitting that past efforts to achieve the same (or different) objectives have routinely ended in failure.⁵⁷ For example: 'There is a critical lack of collaboration among agencies, either in sharing the lessons of experience or in promoting the coordination of aid.' These words are from the conclusions of a large-scale Task Force on aid effectiveness undertaken in --1982!⁵⁸

"Western aid to Africa has done more harm than good precisely because it acts as a subsidy for government corruption and incompetence. Pouring more Western taxpayers' monies into [African] governments is like putting hyenas in charge of the meat market."

Andrew Mwenda, Ugandan journalist and commentator

The above discussion suggests that donors' inability to coordinate ever larger aid flows contributes to corruption and waste. It is hardly surprising, therefore, that more direct efforts to combat corruption have also failed to deliver. Over the years, aid agencies have attempted to improve the budgetary process in order to prevent or sanction corrupt practices. In addition, they have tried to 'strengthen' state institutions including the judiciary, parliament and parliamentary committees, anti-corruption agencies, ethics and human rights commissions and supreme audit. Outside government, donors have sponsored civil society activism and the press as agents of consciousness-raising and public transparency. Many NGOs have been involved in service provision and activism in health, education, water, gender, pastoral, land and human rights, environment, NRM, public expenditure tracking, and many other issues. In Tanzania there are three general umbrella organisations and a number of INGOs supporting capacity building in the sector. The EU is one of the main funders of such activities, but almost all bilateral donors and international NGOs are involved in funding CSOs.

Research and evaluations have concluded overwhelmingly that attempts to address corruption directly through government or indirectly by other means have had little or no effect on the incidence of corruption and waste in government.⁵⁹ This gloomy conclusion is in line with the insight that rent-seeking involving foreign aid reduces its potential for doing good, and that general governance capacity is undermined by too much aid. The effectiveness of East African CSOs in addressing governance and corruption is largely unknown. Anecdotal evidence suggests that corruption and waste are widespread in some sectors and some organisations. There are no effective mechanisms in place to coordinate aid to the sector, so as to avoid multiple funding of projects, for example. How sure is the EU that it's support to CSOs is delivering something useful?



The United Nations and the African Union have their own Anti-Corruption Conventions, and the AU has introduced an innovative African Peer Review Mechanism whereby African countries assess each others governance performance. This seems sensible, though results are not clear to date. Critics see an unwillingness among African leaders to be overcritical of each others' governance weaknesses, and the solidarity between African leaders of failing states like Zimbabwe reveals the strength of the ideology of African unity.

In recent years there have been some major efforts in OECD countries to coordinate international efforts to trace the proceeds of dirty money--corruption, money laundering, organised crime--and to bring corrupt politician and businessman to book. These initiatives have shown some positive results, but the problems of multiple jurisdictions and concern to protect bank secrecy have put limits on what can be achieved. Only a minute fraction of stolen public assets are ever recovered.⁶⁰

The enforcement of anti-bribery legislation in UK led to a protracted investigation of arms dealer BAe Systems by the Serious Fraud Office of allegations of paying large bribes to middlemen and government officials in a number of countries, including Tanzania, mentioned below.⁶¹ Putting travel bans on officials found guilty of corruption or with cases in court is a very important means of dealing with impunity, though currently bans are not imposed consistently or transparently.⁶²

In a 2005 review of corruption issues, OECD/DAC gave the DAC Network on Governance (GOVNET) a number of tasks aimed at developing an OECD-wide anti-corruption strategy. The summary of the findings is in the footnote.⁶³ The view of what constitutes the important corruption issues facing OECD donors presented is light years away from the things I am talking about in this paper.⁶⁴

In sum, efforts to coordinate aid have been seriously undermined by the proliferation of sources of development assistance in recent years. There is no regulator to address the negative externalities thus generated. A 'prisoner's dilemma' prevents individual agencies from trying to improve their performance in the absence of collective action. Uncoordinated aid provides incentives to rent-seeking among aid recipients in the state and civil society. I have been part of, and benefited from, the emergence of this aid-driven society. Let me share with you a personal note.

7.0 A personal note

I have not just observed these issues from a distance, I have been actively involved in exposing them. My efforts in this respect usually produce quick responses from both donor and recipient, which is better than being ignored.⁶⁵ One newspaper article that I signed appeared in the *East African* in 2003. As a result, the former Attorney General Andrew Chenge brought a suit against the Nation Media Group, the East African newspaper published in Nairobi and myself claiming that my article published on described him as 'corrupt'.⁶⁶ Unfortunately (or fortunately) the case was never heard, but it had the desired effect of keeping me quiet on that particular topic. Mr Chenge was subsequently



forced to resign on suspicion of taking a USD one million bribe in relation to the infamous BEA radar deal, mentioned above, which involved a 30 percent bribe on a USD 40 million contract. BAE subsequently plea-bargained their way out of a criminal prosecution, and the half-hearted Tanzanian investigation of the case stalled, leaving Mr Chenge, who is Chairman of the Ethics Committee of the ruling CCM party, a free man.⁶⁷

My main problem with the Tanzanian government has not been that that I have talked about large-scale corruption--after all, many other commentators have done that--but that I have linked corruption to the misuse of aid. Since the Tanzanian state is careful to portray the image that it 'makes good use of foreign aid', it is very sensitive to criticisms claiming that aid is misused. A case in point is reported in **Textbox 7**.

Textbox 7: Official skulduggery in a Norwegian aid saga

In 2009, the Norwegian government took the unprecedented step of reclaiming a large portion of a USD 60 million 12-year grant to the Tanzanian **Ministry of Natural Resources and Tourism** on the grounds that much of the grant could not be properly accounted for. This conclusion was based on a critical external evaluation of the **Management of Natural Resources Programme (MNRP)** and a subsequent financial review of certain components of the programme. MNRP was widely considered the 'jewel in the crown' of Norwegian support for natural resource management in developing countries. The review concluded that **50-70 percent of project funds had been spent on seminars, workshops, and related travel costs. A third of all expenses were undocumented.** In all, **half** of the USD 60 million was estimated to have been lost through **corruption and mismanagement.** In one sub-project, government officials were accused of allocating themselves a third of project funds in allowances (TShs 131 million out of TShs 409 million). Weaknesses in financial management and reporting made it virtually impossible to check on project disbursements. The accountant identified the following weaknesses: lack of technical capacity and manpower; lack of budgetary control mechanisms; ineffective internal monitoring and evaluation; no/improper records and accounting system; improper allocation of expenses to activities; lack of internal control.

Source: Cooksey 2010 (forthcoming)

In 2006, I led the final evaluation of the Norwegian-funded Management of Natural Resources Programme (MNRP). The evaluation identified governance shortcomings and the possible misuse of funds by the Ministry, which led the Norwegian Embassy to conduct a full audit of some of its main components.⁶⁸

The systematic misuse of programme funds went on for a decade despite annual audits by the Auditor General, opinions by PriceWaterhouseCoopers, and regular field trips and mid-term reviews by Norwegian officials. Many people on both the Tanzanian and the Norwegian side were very upset with the entire exercise, including my role and that of other whistle-blowers, and subsequent events suggest attempts to trivialise the nature of the theft in order to get Norwegian aid 'back on track'—with an even bigger REDD programme, involving the same dodgy MNRT.⁶⁹

I have witnessed the emergence of a dependent middle class in ADS that is close to government and aid, and sometimes suspicious of the private sector



and foreign investors. I am a member (albeit somewhat marginal) of that class. My lifetime's income has come largely from aid. I enjoy some of the perks that membership of the dependent middle class entails, though nothing like those enjoyed by the elite. Working on aid-financed projects, I can earn in a day five times what someone on the Tanzanian minimum wage earns in a month. Despite my rather controversial profile, I do not find it difficult to obtain research and consultancy work. The price of this relatively privileged life is self-censorship. I am only giving you part of the picture.

'Fighting corruption' is proving an uphill task. The World Bank Institute's (WBI) mammoth global governance monitoring exercise coordinated by Dani Kaufmann concluded that a decade of good governance and anti-corruption efforts have had zero measurable impact.⁷⁰ Political corruption and state capture by criminal gangs and drug mafias, and trillion dollar money laundering through the main OECD banking system, have swamped any positive trends. True, thanks to the efforts of organisations like Transparency International, we are now more aware of the threats posed by national and international corruption and their devastating impact on poor people and economic growth.⁷¹

8.0 Summary and conclusions

In this paper, I have sketched the negative consequences of the rapid growth of ODA and philanthropic transfers to East Africa during the last decade. I suggest that countries receiving large amounts of aid are becoming increasingly aid-dependent and that the dependency is reciprocal. Aid agencies are complicit in covering up evidence of corruption, and are not responding to a growing body of evidence documenting the failure of aid to kick-start major institutional reforms, economic growth and poverty reduction. We are already well past the *tipping point* of aid effectiveness. The focus on aid coordination diverts attention from the underlying causes of aid ineffectiveness and the moral hazards inherent in further increasing aid flows on *a priori* grounds.

African leaders and commentators tend to view aid dependency as the imposition by powerful donor agencies, led by the World Bank and the IMF, of a set of policy prescriptions at the expense of (implicitly more desirable) 'home-grown' solutions to development problems. Thus they often support policies designed to reduce aid dependency.⁷² In practice, aid dependency is actively sought by ruling elites. Weak administrative capacity means that pro-active aid coordination by aid recipient is not likely to emerge any time soon. A cynic might argue that recipients benefit from opacity and competition, which allow them to play one donor or group of donors off against another.

As donor agencies proliferate, the need for aid coordination becomes increasingly urgent. But research suggests that coordination by donors is virtually impossible. Even individual aid programmes and agencies are internally fragmented. Collective action is less and less feasible.

It is difficult to imagine any viable solution to the growing complexity and chaos caused by the growth and differentiation of international aid to Africa.



If the above is true, the issue of how a development agency, even one as big and important as the EU, can protect itself against corruptive tendencies in aid is not of great inherent interest. This is because corruption is only one constraint on 'aid effectiveness'. In present circumstances, 'fighting corruption through aid' is a contradiction in terms and trying to protect *individual aid streams against corruption* is a Sisyphean proposition.

Far more important is the issue of what can be done to realise aid's avowed objectives of reducing poverty and stimulating sustainable economic growth, given aid's negative 'side effects'. Even that question only addresses part of the puzzle, since aid is merely one aspect of the relationship between 'developed' and 'developing' parts of the world.⁷³

9.0 'Recommendations'

My main 'recommendations' are not concerned with ways in which donors such as the EU can better protect aid transfers against corruption, but with how they may better understand the evolving context in which such measures are attempted.

Understanding aid dependency. Contemporary academic research is increasingly critical of donor governance discourses, their ideological underpinnings, and practical relevance. Research highlights the potential danger of promoting 'democracy' in fragmented or potentially fragmented states. More independent research, monitoring and analysis are required to better understand the forces underlying the patterns of governance that we observe. Researchers have been trying to understand these patterns of governance for many years and we already know a great deal. This knowledge, and further understandings resulting from further research, must be integrated into the external view of how better governance and anti-corruption can be pursued by external actors in a development context.

The aid industry needs to be incorporated into our understanding of post-colonial African history. After all, in a sense, aid took over where colonialism left off, and came to play an increasingly central role in determining development policy and financing public investments in aided countries, particularly after the economic crises of the 1970s and 1980s. The binary approach to aid effectiveness (aid is successful/unsuccessful) should be superseded by a concern with *actual impacts*. What does aid do (intentionally and accidentally) in practice? Does it increase political stability by giving patronage opportunities to ruling elites, or reduce stability by marginalising the poor and undermining private sector growth? Or both. Explanations lie in the realms of history, ideology, and politics. Careful, comparative, multidisciplinary case studies are recommended.

Doing less harm. Western donors should abandon attempts to mould African political systems and institutions of governance to their own ideological preferences and prescriptions because these attempts do not work, ruling elites and their constituents *do not want them to work*, and they constitute additional demands on local administrative capacity that has already been systematically undermined by past donor impositions.⁷⁴ Donors should also be much more



concerned with the negative economic consequences of aid dependency. The research proposed above will hopefully contribute to the imperative to do less harm. For some time, donors have been researching the impact of political processes on aid effectiveness. They need to do more of this, factor themselves in, and apply the lessons learned.

International NGOs should abandon their traditional advocacy focus on increasing aid volumes at all costs. If they continue stressing aid amounts while ignoring impact, they will be contributing to the problems of poverty and low growth that they are concerned to address. Focusing on aid volumes and on coordination, fragmentation, harmonisation and ownership as *currently defined* are distractions from the real problems that I have been at pains to articulate in this paper. It is short-sighted to address aid delivery issues within the same discourse or *problematique* as the aid agencies themselves.

The maxim 'do no harm' implies that donor agencies should be sensitive to the negative consequences of what they do and prepared to call a halt to harmful practices. Whether they are capable of this in an increasingly fragmented and competitive aid environment remains to be seen. Failure to act will lead to greater problems down the line.⁷⁵

Reforming aid? So what kind of aid would work? Aid's most serious failures include its corrosive effect on governance and undermining economic growth.⁷⁶ 'Good' aid supports economic growth and poverty reduction and does not crowd out private investment. Bad aid fattens the bellies and foreign bank accounts of corrupt politicians and bureaucrats and their private sector accomplices at home and abroad.

Historically, aid's greatest successes in Africa have been in the field of public health, including eradicating or at least controlling such killers as polio, smallpox, river blindness, and malaria. The AIDS pandemic has attracted more money than all previous public health interventions put together. Anti-retroviral drugs are now cheap and effective, and the main constraint is the poverty of many AIDS sufferers who are forced to consume strong drugs on empty stomachs.⁷⁷

I suspect that political support for aid for democratisation, governance reform and corruption control will gradually decline in coming years. Budget support will drop off as the negative consequences of putting too much faith in defective budgetary processes become more apparent. Core aid practices are increasingly anachronistic in light of current research findings.

The main development agencies should now turn to public works and infrastructural development as their main focus. Good aid provides additional capital and resources to address market failures. Poor country governments are always short of capital to create and maintain economic infrastructure. Roads, ports, communications and electric power can be directly provided and maintained by aid agencies without the risk of fungibility or Dutch Disease. Since countries like Tanzania, Kenya and Uganda do not have the governance capacity to create and maintain public goods efficiently and effectively, their governments should request donor countries to do it for them.⁷⁸ Farming out



entire sectors to bilateral aid agencies would allow home industries to benefit from aid, none of which would be channelled through national budgets among aid recipients.⁷⁹ In their way, the Chinese are already doing this, albeit through soft loans rather than grants.⁸⁰

So as not to conclude on an overly optimistic note, I would stress that in the medium-term the aid-dependent state that I have tried to sketch above is quite capable of collapsing under the weight of its own internal contradictions (state failure). The view that African elites have been adept at putting aid to work in their political interests—as argued for example by Chabal and Daloz—is compatible with the view that short-term political success is bought at the cost of long-term economic failure.⁸¹ Therein lies a recipe for disaster. In this dystopian vision the negative consequences of aid steadily swamp the positive aspects, until aid is simply propping up a formal state apparatus that has ceased to function for the majority of the people.⁸²



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Appendix 1: Main causes of aid ineffectiveness

The following list of aid's fatal flaws is adapted from Booth's summary of the reasons for aid ineffectiveness presented by Barder (2009). Most of these have been 'well documented for three decades or more'.

1. Aid can impact negatively on *institutions* and *accountability* in developing countries.
2. *Poverty reduction* is compromised by the pursuit of broader donor interests
3. *Proliferation* [of aid agencies and projects], *transaction costs* and *administrative costs* [for both donors and recipients] reduce the value of aid.
4. *Short-termism* and *lack of predictability* reduce the effectiveness of aid.
5. There is insufficient *focus on results*, and not enough *evaluation, learning and feedback*.
6. Aid inflows make it unnecessary for leaders of developing countries to *take hard decisions* and implement reforms which would otherwise be forced upon them.
7. Aid is often *only partially absorbed* by recipient countries because complete absorption without provoking Dutch Disease and related effects would involve a type of investment management that their government either cannot or do not want to contemplate.
8. Aid-financed public spending often *crowds out private investment*.
9. When aid does have the (modest) effect of raising economic growth rates, it typically contributes to a structure of growth that is *skewed away from the most poverty-reducing economic activities*.
10. The kinds of aid that are designed to incentivise the improvement of country planning, management and monitoring systems often do so in a superficial way, with *little trickle-down to front-line activities of the state*.
11. The kinds of aid that do succeed in reaching down to the grass roots sometimes have *seriously perverse social impacts*.
12. Donor and recipient interest in evaluation is qualified by a *narrow, politically driven, concern* to 'show that we are having an impact', as distinct from learning about how to do better.
13. Given lending targets and political commitments to aid/GDP goals, donor organisations face a *pressure to spend* which sits uneasily alongside concerns about impact.

Appendix 2: Aid to Africa

2.1 Net ODA receipts by African countries

USD million, 2007 prices and exchange rates, net ODA receipts

	2000-08	1970-79	1980-89	1990-99	2000-08	2005	2006	2007	2008
	Share(%)	Annual averages				Annual amounts			
Algeria	1.0	555	366	367	356	398	235	390	294
Angola	1.5	47	221	513	521	462	178	246	352
Benin	1.2	162	254	347	426	387	409	474	600
Botswana	0.4	174	256	151	127	54	74	108	680
Burkina Faso	2.2	316	496	577	768	778	951	951	936
Burundi	1.0	164	344	270	350	408	446	473	479
Cameroon	2.9	431	505	737	1 016	464	1 871	1 908	492
Cape Verde	0.5	37	155	165	163	184	153	165	205
Central African Rep.	0.4	150	291	215	129	100	145	177	242
Chad	0.9	243	304	325	334	424	306	354	391
Comoros	0.1	68	100	56	36	26	34	44	35
Congo, Dem. Rep.	5.7	747	964	400	2 020	1 914	2 190	1 241	1 543
Congo, Rep.	0.9	176	220	280	332	1 644	283	119	469
Cote d'Ivoire	1.3	351	458	1 160	464	107	272	171	583
Djibouti	0.3	117	185	152	101	82	126	112	113
Egypt	3.9	4 306	2 982	3 904	1 388	1 107	953	1 107	1 282
Equatorial Guinea	0.1	9	53	59	33	44	29	31	35
Eritrea	0.8	-	-	136	282	383	137	157	135
Ethiopia	5.8	373	1 076	1 249	2 053	2 111	2 102	2 563	3 196
Gabon	0.1	144	171	146	42	67	33	51	51
Gambia	0.2	50	150	91	75	66	78	73	90
Ghana	3.3	305	606	835	1 167	1 269	1 277	1 154	1 237
Guinea	0.8	77	331	482	279	219	166	228	300
Guinea-Bissau	0.3	56	164	166	113	75	90	122	123
Kenya	2.5	559	1 148	939	871	833	1 007	1 323	1 308
Lesotho	0.3	109	221	151	98	75	77	129	136
Liberia	1.0	86	193	152	335	247	279	698	1 189
Libya	0.0	33	16	7	16	27	40	19	57
Madagascar	2.3	287	539	571	800	1 024	812	895	794
Malawi	1.9	261	428	649	674	645	745	742	882
Mali	2.1	351	703	595	756	790	898	1 020	907
Mauritania	0.9	335	432	318	318	202	217	342	291
Mauritius	0.1	82	104	59	39	35	21	69	102
Mayotte	0.8	10	55	135	279	233	377	407	441
Morocco	2.5	837	1 317	1 040	871	804	1 152	1 073	1 129
Mozambique	5.0	123	852	1 525	1 774	1 467	1 742	1 778	1 907
Namibia	0.5	0	22	230	193	140	163	217	197
Niger	1.5	381	547	435	513	581	566	542	569
Nigeria	7.8	316	150	304	2 769	7 332	12 444	1 956	1 234
Rwanda	1.7	250	407	578	599	648	632	722	893
Sao Tome & Principe	0.1	7	33	69	43	37	24	36	44
Senegal	2.3	465	933	810	809	769	900	872	998
Seychelles	0.0	54	46	27	15	16	15	9	11
Sierra Leone	1.2	70	170	202	430	383	366	545	358
Somalia	0.9	383	933	468	328	269	426	384	727
South Africa	2.3	-	-	406	800	777	781	810	1 083
St. Helena	0.1	17	42	26	33	26	31	43	69
Sudan	3.7	668	1 764	584	1 295	2 030	2 202	2 112	2 289
Swaziland	0.1	74	73	62	41	46	37	51	64
Tanzania	5.7	783	1 584	1 421	2 024	1 686	1 982	2 820	2 233
Togo	0.3	173	265	213	112	94	87	121	310
Tunisia	1.2	661	507	326	415	408	480	321	442
Uganda	4.0	137	458	975	1 400	1 327	1 675	1 737	1 575
Zambia	3.3	313	723	1 109	1 148	1 294	1 542	998	1 035
Zimbabwe	1.0	19	520	591	336	418	305	479	594
North of Sahara, regional	0.4	20	31	52	155	191	161	279	253
South of Sahara, regional	4.3	618	839	833	1 514	1 448	1 705	1 694	2 609
Africa, regional	2.5	221	686	736	898	848	928	1 454	1 259
Africa total	100.0	17 760	27 392	29 384	35 279	39 924	47 358	39 122	41 849

Source: <http://www.oecd.org/dataoecd/40/27/42139250.pdf>



2.2: Top 10 multilateral donors to Africa 2006-2008, USD million

Donor	2006	2007	2008	3-yr average	Percent
EU institutions	4 172	5 184	6 012	5 123	37
IDA	3 245	4 147	4 053	3 815	27
AfDF	1 541	1 209	1 625	1 458	10
Global Fund	789	1 020	1 372	1 060	8
UNICEF	301	450	474	408	3
IMF	126	90	540	252	2
UNDP	234	228	292	251	2
GEF	169	311	228	236	2
GAVI	-	303	395	233	2
WFP	222	136	187	182	1
Other multilaterals	695	928	1 014	879	6
Total	11 493	14 005	16 192	13 897	100

Source: Development aid at a glance, Aid to Africa stats.pdf



ENDNOTES

¹ This paper deals with development aid, not humanitarian, crisis, or post-conflict aid.

² Kenya, Tanzania, and Uganda had a combined population of 106.4 million in 2008, and a combined GNI of USD 67 billion. The East African Community (EAC) consists of these three countries plus Rwanda and Burundi (combined population 17.5 million, combined GNI USD 5.2 billion) (Service économique régional pour l'Afrique de l'est et l'Océan Indien 2009).

³ Chabal 2009:156

⁴ Barder 2009:1

⁵ See subsequent reference for definitions of corruption and rent-seeking. In this paper I will use the term 'corruption' to include rent-seeking, waste and inefficiency in the use of public resources, including development aid. Rent-seeking is defined below. Waste is using resources for non-priority purposes. For example, buying a turbo-charged FWD station wagon for the Ministry of Health at over USD 50,000 when a more modest vehicle would do or when actually there are enough vehicles in the Ministry car pool already. Inefficiency is using a disproportionate amount of time or money to achieve a particular output. For example, spending half a million dollars on a national corruption survey which should have cost one fifth of that amount is an inefficient use of money. Note that both waste and inefficiency can only be defined subjectively in the final analysis. For example, if Tanzania spends 10 percent of its total budget on defence, what criteria does one use to define this as waste? Inefficiency is an input-output (cost-benefit) term – the same output could have been achieved for less. In practice, rent-seeking ('corruption'), waste and inefficiency are usually intimately related. Poor country state performance in creating and maintaining public goods is seriously compromised by rent-seeking, waste and inefficiency.

⁶ Cooksey 2003b:1

⁷ The term 'corruption' is too vague to capture all the processes involved in the theft of public resources by state and private (local and international) actors. The more technical term 'rent-seeking' includes the direct theft of public monies by state officials as well as the manipulation of procurement and contracting by officials and private actors. Direct theft can be large-scale plunder ('grand corruption') or small-scale rent scraping (commonly known as 'petty corruption'). Cronyism is the practice of politicians and officials allocating rent capturing opportunities (import licences, tax waivers, monopoly rights) to private actors. State capture is the reverse practice through which influential individuals and groups take over state policies and regulation. Political corruption may include elements of cronyism, state capture and buying off strategic constituencies and voters. All these are types of corruption. 'Fighting corruption' is rarely envisaged as addressing large-scale-plunder, rent-scraping, cronyism, and political corruption, presumably concurrently. Rent-seeking takes an international dimension with the involvement of large foreign companies, and the complicity of their governments. Transfer-pricing is difficult to assess, but is considered significant. The proponents of good governance are currently challenged by theorists such as Mustaq Khan who see informal rent-seeking processes as an inevitable and necessary correlative of 'primitive accumulation'.

⁸ The interested reader is referred to the Bibliography for empirical information and interpretation on the topic of corruption and aid in East Africa and more generally.

⁹ The busy reader is advised to skip these endless Endnotes.

¹⁰ This is a relatively new take on aid dependency and I only suggest some of its major dimensions. Academics have suggested the term 'governance state', where poor states have taken on board all or most of the donor agenda of economic and social reform. This is not my view—agency on the aid recipient side is much more determinant of the practices of the ADS than is generally thought.

¹¹ The aid industry consists of the development agencies, private philanthropies and international NGOs. Attendant on the aid industry are large numbers of consultants, academic researchers, contractors and civil society staff on both sides of the aid relationship.

¹² The other members of the East African Community—Burundi and Rwanda—are both heavily aid-dependent. Both are former failed states, as is Uganda. Kenya has reached the brink of failed-statehood. Tanzania is renowned for its relative peace and inclusive political system--though Zanzibar is a constant headache--but its governance standards are slipping and political corruption has grown rapidly since competitive politics were reintroduced in the 1990s. Rwanda is currently the donor favourite in terms of the firmness with which Paul Kagame is trying to implement a serious reform programme, including making the state perform and encouraging foreign investment. (He is not implementing democratic reforms and the donors are not



complaining). Uganda was considered a star reformer in the 1990s when price liberalisation and privatisation led to a rapid growth in coffee exports and a reduction in poverty. Reforms stalled as members of the political class (the 'boys from the bush') reasserted their patronage claims and public resources came to be misappropriated in order to maintain peace and the integrity of the state. Tanzania was seen as a model neo-liberal reformer under President Mkapa (1995-2005), but reforms have also stalled as a result of patronage claims on public resources, and a decline in central control of patronage. While outwardly supportive, donors to Tanzania are extremely frustrated at the nationalist economic policies currently being implemented and the hostility shown to foreign business interests. My concept of the aid-dependent state is based on observed trends in Tanzania.

¹³ Different authors use different terms to describe those in charge of the state: the ruling class is the old Marxist term; others talk of ruling elites, ruling coalitions, stationary or roving bandits, or simply 'governments.' Each term has its own merits, theoretical and practical implications.

¹⁴ Althusser (*Positions* 1970) distinguishes between repressive and ideological state apparatuses, roughly the education system and media on the one side and the police and prisons on the other. The works of Bourdieu and Gramsci offer more subtle definitions of hegemony.

¹⁵ ADS develop a middle class of politicians, officials, academics, consultants, researchers, NGO activists and service deliverers, professionals, and private businesses who live off the patronage of governments and aid agencies. Local academics, researchers and consultants are generally pro-state in their public positions, which leaves critical commentary to the very few who both know what is going on and are prepared to express honest opinions.

¹⁶ I would emphasise that corruption among aid recipients is only one factor, albeit a critical one, among many serving to undermine aid effectiveness. It follows that, even if corruption could be eliminated completely from development assistance, waste and inefficiency would still seriously compromise aid effectiveness. In practice, the three phenomena (corruption, waste, inefficiency) feed off each other in complex and not well analysed ways.

¹⁷ Doya 2008. Non-performing loans were worth USD 21 million. Consequently, the EADB's Ugandan Director General Godfrey Tumusiime's contract was not renewed, and a number of senior managers left the bank. The African Development Bank refused to bale out the EADB with a new credit line (anecdote on request). Long-term credit to the EADB from the European Investment Bank, Export Import Bank of India, Japan Bank for International Cooperation and the China Development Bank was also put at risk 'if there is no remedy to fix [EADB's] balance sheet. In 2002, the loss of USD 10 million led to the exit of five top executives and decision-makers in EADB's key departments. EADB is owned jointly by Kenya, Tanzania and Uganda.

¹⁸ We are not in a position to demonstrate that increases in aid have led to an increase in corruption or collusion. It makes sense nevertheless to assume that large increases in (say) budget support will lead *ceteris paribus* to a proportionally large increase in the misuse of public funds.

¹⁹ See Easterly 2003 for some examples. The World Bank and IMF gave Kenya 21 adjustment loans during 1980-2000 despite systemic corruption and failure to implement agreed reform under President Daniel Arap Moi.

²⁰ Aidwash allows the aid industry to live with systemic waste and corruption. It is quite common for aid agencies to shower praise on country-level governance 'achievements'—improved budgetary processes, implementing national anti-corruption strategies, enhanced audit of public accounts—when the progress is minimal and overall trends that really matter are in quite the opposite direction. Examples on request. The same is also true for economic performance and poverty reduction, where a little progress goes a long way.

²¹ Local ownership and accountability are favoured by both sides of the aid relationship. It is no longer possible to make statements like the following: '... a degree of local involvement is critical, but donors are unwise to turn over all authority over decisions on the uses of aid to recipients if they want to ensure that aid has the desired impact and proves sustainable' (Lancaster 1999:232-3).

²² Current donors in Tanzania complain that the government is reluctant to engage in any policy debate, despite very controversial government policy initiatives in agriculture and public ownership which were never discussed with donors, and which fly in the face of jointly agreed policy choices. Some argue that the ruling elite is playing the China card. The problem for donors is that local ownership often means abuse, waste (time and money), and lack of desired impact, in particular in creating public goods, assuring basic service delivery and effective economic



regulation. There is a view that the increase in tax income and aid since 2000 has not been reflected in more or better basic services, rather it has largely disappeared in theft, corruption and bureaucratic inefficiency.

²³ And sometimes not even then. Easterly (2003:36) cites a USD 45 million World Bank loan to Sierra Leone for roads rehabilitation and maintenance which was 'disbursed in the middle of brutal civil war during 1998-2001. A third of the loan went to compensate contractors for lost time and destruction of their civil works.

²⁴ World Bank Annual Development Reports, various years, and following table. Additional aid transfers part-financed a large increase in government consumption, which rose from 12 percent of GDP in 2000 to 18 percent in 2007 (REPOA 2009:13).

²⁵ The amounts of aid consumed by aid agencies and commercial interests in the home country reduce significantly the amounts actually 'delivered'. However, there is a lot less tied aid than previously. The growth of budget support is discussed below.

²⁶ Express this view and be prepared to be branded a moral leper. In the 1960s the late Peter Bauer began the academic critique of aid that has continued to date. He is credited with the aphorism to the effect that aid is money from poor people in rich countries to rich people in poor countries. (Poor people in Tanzania agree: see **Textbox 2**). Bauer's important contribution to our understanding of aid was not recognised until after his death.

²⁷ Brautigam (2009) estimates Chinese ODA to Africa at USD 1.4 billion in 2007.

²⁸ Warren Buffet added USD 30 billion to the Gates Foundation. Bill Gates intends to invest USD 10 billion in the fight against major diseases in the next ten years. Americans alone give about USD 300 billion a year to charity.

²⁹ Deutscher and Fyson 2008:16.

³⁰ Net ODA of around USD 100 billion a year puts it on a par with Nestle and Honda at around rank 50 out of 500. Factor in private transfers and aid moves further up the Fortune 500 list. See: http://money.cnn.com/magazines/fortune/global500/2009/full_list/

³¹ See Brautigam 2010.

³² 'The United States currently gives as much to its top five aid recipients—Iraq, Afghanistan, Egypt, Israel and Colombia—as it does to other developing countries' (Soussan 2010:10).

³³ Tanzania's performance in Transparency International's Corruption Perception Index (CPI) had just slumped 24 places. The point is not that donors should respond to short-term changes in corruption, but that they find no problem increasing commitments among growing signs that political and grand corruption are having serious negative consequences on the viability of the budget and on the economy. Donor statements to the effect that Tanzania is successfully tackling corruption help to further confuse the issue.

³⁴ Although aid is highly fungible, both givers and receivers deny the logic of fungibility. The Tanzanian government, for example, claims to initiate development activities 'using its own funds' while donors claim to have contributed to raising 'pro-poor' spending (as opposed to all spending) through budget support. It is difficult to admit that budget support funds all spending, not just the bits you like.

³⁵ PRSP (MKUKUTA in Tanzania) stresses joint ownership of the umbrella poverty reduction and growth policy and common mechanisms for measuring, monitoring and evaluating its implementation.

³⁶ It does not, of course, usually 'promote' corruption consciously, but corruption (widely defined) is an unintended outcome of donor fragmentation.

³⁷ Tanzania has traditionally been a favourite country for both multilateral and bilateral donor agencies. In recent years, Kenya and Uganda have had more turbulent relations with donors. Tanzania and Uganda are much more aid-dependent than Kenya.

³⁸ Graham Hancock 1989 wrote one of the first exposés of the self-interest and corruption in international aid. See also Hayter and Watson 1985 and Caufield 1996.

³⁹ East African, May 4, 2009.

⁴⁰ Tanzania netted over USD 600 million in MCA funds for infrastructural development.

⁴¹ Requests for the next five years from the GOT to the Global Fund total USD 678 million.

⁴² Mkinga 2009; Oommen et al. 2010; OLAF 2009. The Chief Investigator of the GF and officials from the UK's SFO and OLAF were brought in to 'build capacity' in Ugandan law enforcement. EU contributions to the GF were Euro 430 million for 2002-05.

⁴³ The development of a corrupt 'allowances culture' in aid dependent countries has both external and internal causes (Cooksey 2010 forthcoming).

⁴⁴ REDD = Reduced Emissions through Deforestation and Degradation.



⁴⁵ For a Tanzanian example see Mercer 1999.

⁴⁶ See Cooksey 2007c for a discussion of principal-agent problems in Nordic aid to civil society. Northern churches and NGOs tend to trust their local counterparts to use money conscientiously. Though highly estimable, this trust may be misplaced and abused.

⁴⁷ According to an article in Foreign Policy, 'non-state actors' spent about two-thirds of all OECD-sourced aid worldwide in 2006, worth USD 325 billion' (cited by Zakumumpa 2009).

⁴⁸ Boesen 2010:7. The fact that the main funders of EU aid all have their own large bilateral aid programmes says a lot about the practical limits of aid coordination.

⁴⁹ IPS 2009. As a result "the international development effort now adds up to less than the sum of its parts." ... "Individual agencies were fragmented, thus opening the door to all forms of administrative jealousies, contradictory interests and ... local irresponsibilities."

⁵⁰ De Walle and Johnston 1996:80. The quote in quotes is from Whittington and Calhoun (no date), page 307.

⁵¹ These are: DFID's Drivers of Change work, SIDA's Power Analyses, The Netherlands Strategic Governance and Corruption Analyses and USAID's Democracy and Governance Assessment.

⁵² Oxford Policy Management et al. 2005.

⁵³ The notion that societies evolve and that the evolution of Western society provides the optimal template for social development or progress was popularised in the mid 19th century and still influences the ideology of international development today. See Spencer 1857. On the parallel notion that all animal species, including *homo sapiens*, have evolved through a process of natural selection over the last four billion years, see Darwin 1859.

⁵⁴ One such initiative—*Twaweza* in Tanzania—has been widely praised internationally for its innovative approach to 'bottom-up' development. As usual, sympathetic observers praise objectives and processes in advance of any verifiable achievements on the ground.

⁵⁵ See Hubbard and Duggan 2009, Moyo 2009, Bader 2009.

⁵⁶ Berkman (2009) demonstrates how in the mid 1990s the World Bank appeared to take on board the challenge of dealing with corruption while studiously avoiding addressing systemic corruption in its projects. It is functional for senior management to be blithely ignorant of the realities of aid on the ground.

⁵⁷ De Walle and Johnston (1999) remind us that donor aid continued to prop up countries like Tanzania long after their socialist industrialisation and rural development policies of the 1970s and 1980s had failed, thus postponing the necessary policy reforms.

⁵⁸ Cassen 1986:11. The quote continues: 'While each agency watches over its own activities, ..., little attention is given to how they interact with other aid efforts, or to the combined results of aid. ... [The] record ... is least satisfactory ... in the poorest countries, particularly in sub-Saharan Africa.'

⁵⁹ A number of studies of anti-corruption commissions in Africa and donor support for state-led, anti-corruption initiatives found minimal impact in most cases. Karen Hussman and Max Mmuya wrote an excellent (though depressing) review of the Tanzania case. Available at www.U4.nor.

⁶⁰ In a recent case, the British Government had a relatively junior Ugandan official punished for taking a bribe from a British company in relation to UK-funded aid project. I don't have time to find the reference! The point: the UK government refunded the (comparatively small) amount stolen. For an example of very large-scale Ugandan theft from EU aid grants for private sector development, see Oluka 2005.

⁶¹ In Tanzania, the issue was the infamous USD 40 million radar, where the British Prime Minister stood up for the shoddy deal while the feisty Ms Claire Short threatened to resign as Development Minister over the affair.

⁶² Some countries are more likely than others to have their corrupt politicians banned from entry into the US or the UK. Kenya more than Tanzania, for example. Though a number of senior Tanzanian politicians have been forced to resign in recent years over corruption allegations, and some have cases in court, not one has ever been refused a visa to the UK or the US.

⁶³ OECD/DAC 2005:7 '1. Development assistance agencies see the need to work more effectively within their own domestic environments, with Foreign Ministries, Export Credit Agencies and the private sector; 2. As a result, the principle of mutual accountability is emerging as a powerful platform for DAC donors to form and strengthen genuine partnerships with developing countries to fight corruption; 3. There is a need to integrate anti-corruption work more closely into work on aid effectiveness and harmonisation. Strengthening links between GOVNET and the Working Party on Aid Effectiveness will be strategically important, particularly concerning



harmonisation; 4. The DAC must address the challenges of taking its work to the local level, helping to ensure that DAC's Good Practices and lessons of experience are conveyed to field offices of DAC agencies and to partner country governments; 5. At country level there is a need for a consistent approach over time. The DAC must be both timely and consistent in its support of long-running initiatives; 6. Whereas the DAC works together to some extent on issues related to the media, political parties and parliaments, further efforts and increased collaboration with NGOs are needed.'

⁶⁴ I presented my usual diatribe at this august gathering of corruption experts, but don't see any of my views reflected in the summary. Am I getting paranoid in my old age? For the last dozen or so years I have been debating the issue of corruption and aid within Transparency International. Mine remains a minority view, though TI now appears to be more circumspect in its dealings with the World Bank. TI endorses the need for aid agencies to be more transparent and accountable. This is fine, but the corruption and waste that matter most take place in *government budgets*, in *World Bank-funded projects*, in *loans from regional development banks* and perhaps in *global health funds*.

⁶⁵ In 1995 I blew the whistle on more than a million dollars' worth of rigged tendering in the National Electoral Commission. The donor coordinating donor support challenged my claim, pointing to an 'independent' audit that showed that the money was all used for the intended purpose. Caveat lector! The average 'external' or 'independent' audit of government spending is usually as uninformative and biased as routine internal audits. Only forensic and value for money auditing stand any chance of yielding insights into the way money is used. Examples on request.

⁶⁶ The article 'An ABC of IPTL' mentioned Mr Chenge as a prime mover in a controversial private power project.

⁶⁷ On admitting to the USD 1 million transfer to his Lloyds Bank account in the Channel Islands, Mr Chenge caused a sensation by referring to the money as 'vijisenti', or 'petty cash'. In 2008, Mr Chenge was involved in a late-night road accident in which two young women died. He was arraigned for dangerous driving. The case, like the one involving me, is still in court. For the decade 1995-2005, Mr Chenge was a key contact for donors pursuing a 'basket-funded' judicial reform programme. The reform has yet to bear much fruit.

⁶⁸ See Jansen 2009 and Cooksey et al. 2006.

⁶⁹ The speed with which REDD is being rolled out, in the absence of clear ownership, reporting and accounting mechanisms, and the inherent vulnerability of carbon trading mechanisms to corruption, suggest another large-scale donor catastrophe in the making. For a critique of the science underpinning the carbon trading mechanism as a means of confronting global warming ('cap and trade') see Hanson 2009.

⁷⁰ Kaufmann, Daniel, Aart Kraay, and Massimo Mastruzzi, various years, 'Governance Matters', World Bank Institute, Washington

⁷¹ With people like Bernard Madoffe conning billions of dollars out of his greedy clients, who can really say East African corruption is anything special? Well, it is special nevertheless. Bernard Madoffe and some other Wall Street scoundrels are behind bars while most of those plundering aid and tax revenues in East Africa are unlikely ever to get caught and even more unlikely to get punished.

⁷² Yash Tandon's *Ending Aid Dependence* published by the South Centre, is an example of this thesis. Lancaster and Wangwe's *Managing a Smooth Transition from Aid Dependence in Africa* (2000) assumes that everyone thinks reducing aid dependency is a good idea, thus confusing formal policies (reducing aid dependency) with the informal processes that really matter. The idea that African governments slavishly implement donor policies against their better judgement does not stand up to close inspection (see text). The notion that home-grown African policies are necessarily 'better' than those of the aid industry is also rarely put under critical scrutiny.

⁷³ As Boesen points out (2010:7): 'In virtually all governments, aid is seen as part of a more important joined-up agenda that includes climate change, security, migration, trade and finance.' If we take this approach, addressing trade protectionism through agricultural subsidies far outweighs the importance of 'aid' in the overall *development* relationship. Annual foreign aid to developing countries was worth an estimated USD 58 billion in 2001 compared to USD 200 billion in agricultural subsidies in rich countries. Benefit to poor countries from liberalised trade would be worth an estimated USD 124 billion a year. Foreign Policy citing OECD 2002 and World Bank 2001.

⁷⁴ Including support for anti-corruption agencies, ethics and human rights commissions, parliaments, civic education, elections, Donors should stop sponsoring local civil society, the



media and the private sector. They should stop promoting endless reforms in public finance management, the civil service, local government, and the judiciary. They should allow governments to live with the consequences of their own decisions.

⁷⁵ A comparison with global warming is in order. Beyond the tipping point, disaster threatens.

⁷⁶ Rejan (2005:55) argues that in aid dependent countries, the export-oriented, labor-intensive industries not only grew more slowly than other industries ... but the manufacturing sector as a whole grew more slowly.' Consequently 'aid inflows may have prevented recipient countries from taking the path of growth followed first by the East Asian tigers and now by China.'

⁷⁷ The continued over-concentration of global resources on HIV/AIDS prevention when there are so many other public and preventive health priorities is quite scandalous.

⁷⁸ Here I enter the realm of wishful thinking. Why should African governments do this? How can it become in their self interest to admit they are not capable of providing public goods and give up the patronage rents associated with building roads and power stations? I don't have an answer.

⁷⁹ This is all politically incorrect, of course. For what it's worth, some 'ordinary' Africans I know are so disenchanted with their governments' corruption and incompetence that they spontaneously propose a return to colonial rule. If African states continue to fail, some kind of neo-colonial rule may be on the cards.

⁸⁰ None of this would solve Africa's deeper existential problems, of course, but it might do less harm and provide some benefits to ordinary people compared to current practices, and give aid agencies something real to claim credit for, for once.

⁸¹ Chabal and Daloz 1999, section III.

⁸² A senior Tanzanian bureaucrat recently shared with me his view that Tanzania is already showing signs of state failure. His criterion was the inability of the public service at the highest level to act collectively in the public interest. Rent-seeking is steadily privatising all state functions, with serious implications for service provision, creation of public goods, and the effective regulation of the private economy.