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"THE FUTURE OF AID EFFECTIVENESS IN SUB-SAHARAN AFRICA – A RESEARCH AGENDA"

Abstract

While Africa is considered to have received comparatively high levels of aid since independence, the question still remains as to how such aid has contributed to economic development in the continent. In general the economics literature has failed to reach a consensus on the aid-development nexus. In the case of African economies, we still do not know to what extent the returns to aid to Africa have been positive; that is, how much aid has contributed to long-term social and economic development. Yet, at the micro level, there is growing empirical evidence showing that targeted aid to particular sectors and activities yields positive results. The future of research on aid effectiveness in Africa should, therefore, build on the comparative advantage of country-specific studies in exploring the linkages between aid allocation and development outcomes at the sectoral level.

Key words

Official development assistance, Aid effectiveness, Africa, social development, micro-macro paradox, policy regime

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1. INTRODUCTION

Over the past two decades, Africa has experienced drastic changes marked by unprecedented growth acceleration, which has turned a 'hopeless continent' into a continent 'on the rise', with 'lions on the move' and other new epithets characterizing the new dynamism of African economies. However, today the continent is at a critical crossroads. While Africa's strong performance at the macroeconomic level is undeniably impressive, the majority of African countries continue to face deep structural problems that do not seem to respond significantly to growth acceleration. In particular, poverty remains stubbornly high even among fast growing economies;[1] high inequality poses serious threats to the economy and society; many countries still face high fragility, especially arising from conflicts and delayed post-conflict reconstruction; a lack of diversification undermines the ability of African countries to achieve sustained growth and benefit from integration into the global economy; and the continent remains marginalized in the global system, both economically and politically.[2]

This is despite the fact that Africa has received comparatively high levels of aid since the independence era, prompting the question about the effectiveness of aid in promoting economic development in Africa. While there is a vast literature on the role of aid in economic development, the economics profession has failed to reach a consensus on the aid-development nexus. The case of African economies is no exception: we still cannot say conclusively to what extent the returns to aid to Africa have been positive; in other words, how much aid has contributed to long-term social and economic development in the continent.

The transition of the global development agenda from the Millennium Development Goals (MDGs) to Sustainable Development Goals (SDGs) offers an opportune context for revisiting the role of foreign aid in African development and, in particular, the potential and challenges for improving aid effectiveness in the continent. The mandate for poverty reduction remains central to Africa's development strategy given the high levels of poverty observed across the continent. At the same time, the scope of policy needs to expand considerably, particularly to mainstream the issues of inequality and sustainability. Vertical and horizontal inequalities pose a serious threat to economic and political stability in African countries. In fact, high inequality is one of the reasons why growth acceleration has not translated into commensurate poverty reduction in African countries. In addition, issues of environmental, social and political sustainability of economic development must be brought to the center of national development strategies. Given this context, development performance must be assessed

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[1] See Arndt et al. (2016) for recent detailed country case studies documenting successes and failures in reducing poverty in selected African countries.

[2] See Ndikumana (2015a) and Ndikumana (2015b) for discussions and evidence on the implications of Africa's integration in the global economy.

through much wider lenses – beyond the traditional framework that focuses on macroeconomic performance indicators. Consequently, the set of yardsticks used to assess the impact of foreign aid on African development also has to expand to accommodate this more complex development framework, and the changing domestic and global environments. It is, therefore, timely to pause and reflect on the lessons learned from research on aid effectiveness and on the directions of this research in the near and long-term. This aim of this paper is to contribute to this reflection.

In Section 2, the paper discusses the limitations of the conventional frameworks used in the evaluation of aid effectiveness. This sets the stage for the discussion of the evidence from the literature on aid effectiveness in the case of African countries (Section 3). The section revisits the claim that Africa has received disproportionately high levels of aid, and presents quantitative evidence on trends of aid to Africa over the past five decades. It also highlights the dependence on aid in African countries and discusses the associated consequences on the recipient economies. The section then reviews the findings from the literature on the key constraints to, and enablers of, aid effectiveness in African countries, while highlighting limitations and gaps in the literature.

Section 4 discusses aid effectiveness in the context of the new donor landscape. In particular, it investigates the role of Africa's emerging development cooperation partners. The section examines both the contribution of these new donors to Africa's development agenda and the impact of these new partnerships on aid effectiveness in Africa.

The fifth section discusses the need for research on aid effectiveness in Africa to move beyond macro-level analysis to focus on the impact of aid at the sector level. The empirical evidence from sectoral analysis suggests that this approach can shed light on the mechanisms through which foreign aid generates positive development outcomes. Sectoral analysis has the potential to shed light on the micro-macro paradox in aid effectiveness. The discussion in this section identifies large knowledge gaps to be filled by future research and calls for scaling up investments in the collection of disaggregated quantitative and qualitative data at sector, program and project levels.

The sixth section presents highlights on key dimensions of aid effectiveness, drawing from the historical experiences of five selected African countries. The contrasting experiences in growth, policy regimes and political stability in Côte d'Ivoire and Ghana are discussed. These are used to draw out lessons on the linkages between policy and aid, as well as the motivations for the observed shifting donor-recipient relationships over time. The case of Tanzania is discussed to illustrate the policy regime-aid nexus. Tanzania is a country that has undergone structural transformation from a socialist regime to one of the best performers in market-oriented reforms in Africa today – one of the continent's 'success stories' (Edwards, 2012, 2014). The case of Rwanda is reviewed and compared to that of Burundi to illustrate the role of aid in post-conflict reconstruction and donors' attitude vis-à-vis the principles of policy ownership and mutual accountability in aid management (Hayman, 2009).

These examples illustrate the richness of case studies and the wealth of lessons that can be drawn from country-level analysis that cannot be distilled from aggregate cross-country studies. The country illustrations underscore the fundamental point made in this paper, which is that the future of research on aid effectiveness should be anchored on country, sectoral and outcome-level analysis. Moreover, these country case illustrations demonstrate the crucial importance of the historical context for aid effectiveness.

Section 7 proposes key avenues of future research on aid effectiveness in Africa, drawing on the lessons from the literature reviewed and the evidence from selected country illustrations presented in the paper. While these suggestions are by no means exhaustive, they provide a useful starting point for charting the course of future research on aid effectiveness in Africa. Section 8 concludes the paper with a summary of the findings and takeaway messages.

2. THE CONVENTIONAL AID EFFECTIVENESS FRAMEWORK

2.1. The Basic Evaluation Framework

The economic profession has produced an abundant literature on the effectiveness of official development assistance (ODA) in achieving its ultimate goal: to promote economic development in poor countries. Two clear observations emerge from a review of this literature. The first is that there is no agreement on whether or not aid has been effective (Ndikumana, 2012). The second is that there has been little change in the approach used to evaluate aid effectiveness. This paper argues that the two observations are related: the failure to reach robust results in the empirical investigation of aid effectiveness is partly due to the inadequacy of the methodological approach used to evaluate the effectiveness of aid.

The empirical literature has adopted a basic evaluation framework, where aid is hypothesized to be one of the factors that stimulate economic development. The empirical analysis amounts to specifying and estimating a social production function, where a development outcome indicator is presumed to depend on a number of factors including measures of official development assistance. The framework can be summarized as follows:

$$AE = f(ODA|\boldsymbol{X}) \qquad \text{Eq. 1}$$

where AE is an indicator of economic development, ODA is official development assistance and **X** is a set of factors of development other than ODA. The main factors that have been explored in the aid effectiveness literature that enter into the vector X can be grouped into three categories:

$$X = \{\text{policy, absorptive capacity, structural factors}\} \qquad \text{Eq. 2}$$

While this is a simplified version of the aid effectiveness framework, it is representative of the basic theoretical and empirical model that has been used in the literature to evaluate the impact of aid on economic development. We use this model to examine the empirical evidence and highlight the limitations of the approach, both from methodological and policy perspectives.

2.2 What is the Target of Aid Effectiveness?

The main challenge faced by the empirical literature on aid effectiveness has been the choice of the target of aid effectiveness. In other words, researchers must determine the presumed objective of official development assistance in order to assess whether aid has indeed helped achieve that objective.

The predominant approach considers long-run growth as the proxy for the goal of development assistance and attempts to assess whether a country grows faster as it receives increased official development assistance. A related approach investigates the impact of official development assistance on correlates of growth, with a focus on domestic investment and savings. It is presumed that foreign aid increases the availability of resources that are used to finance capital accumulation, thus serving as a complement to domestic savings, and alleviating the resource constraints to domestic investment. In that sense, sustained increases in aid inflows would contribute to sustained growth acceleration.

The literature does not offer robust empirical support for this prediction. In fact, the dominant conclusion is that aid has no, or limited, effect on domestic investment. In their 1999 paper, Dollar and Easterly challenged the traditional aid-investment-growth view, arguing that it does not hold, especially in the case of African countries. They concluded that "aid does not necessarily finance investment and investment does not necessarily promote growth" (Dollar and Easterly, 1999, p. 574). This is a departure from the traditional view that foreign aid constitutes a complement to domestic resources as a source of growth financing that has dominated the literature since the early 1960s (Leontief, 1965) – a view that has formed the foundation for the use of foreign aid as a means of assisting poor countries to reach higher growth.

More recent studies also cast doubts on the presumed positive impact of foreign aid on domestic investment. In a recent study, Ndikumana and Mannah-Blankson (2015) also find that foreign aid does not have a statistically significant impact on domestic investment in African countries. They find that the sources of financing that matter most for investment are domestic savings and bank credit to the private sector.

Conversely, it may be argued that, theoretically, foreign aid may also have perverse effects on domestic savings. In particular, official development aid may create disincentives for the mobilization of government revenue, resulting in lower overall domestic savings. Given that mobilization of domestic resources through taxation is politically costly, in addition to being technically demanding, the availability of foreign aid may discourage the government from exerting efforts to mobilize tax revenue. In this case, higher inflows of foreign aid would be associated with lower tax revenue and thus lower domestic savings. The literature offers little evidence either way. There is no conclusive evidence on positive or negative effects of foreign aid on tax revenue and domestic savings.

Much less work has been done on the impact of foreign aid on other determinants of growth. In particular, there has been little attention to the impact of aid on human capital accumulation, which is known to be a fundamental factor for sustained long-term growth.

Also overlooked are the distributional dimensions of economic growth. Growth acceleration may be accompanied by increasing inequality, which over time will undermine the sustainability of growth through adverse effects on political and social stability, as well as on the political support for the economic development agenda. The question of whether, and how, foreign aid can affect the distributional implications of long-term growth, has not been explored sufficiently. Specifically, can foreign aid stimulate growth that is more broad-based, inclusive and egalitarian? Addressing the first question requires careful examination of the sources and nature of growth and how aid influences them. Addressing the second question requires an investigation on whether, and how, aid is used *ex post* to alleviate inequalities associated with growth acceleration. This may be through financing redistributive programs aimed at compensating the losers of unequal growth. It can also be accomplished indirectly through targeted conditionality, whereby aid is delivered primarily to support inequality-reducing growth strategies.

A major limitation of the literature on aid effectiveness has been the narrow conceptualization of its objective function, specifically, the target of official development assistance. The bulk of the analysis has focused on identifying the impact of foreign aid on some aggregate measure of growth (typically national output per capita) and its aggregate correlates such as domestic gross capital formation and savings. The search for evidence on the impact of aid at the national or aggregate level has been broadly elusive. At the same time, efforts to uncover the impact of aid at the microeconomic level have demonstrated that foreign aid tends to deliver the expected results, especially at the project and sector level. The key factors of effectiveness of aid at the micro level are explicit targeting of aid and better management that ensure that aid resources are effectively delivered and adequately utilized. The evidence in the literature therefore points to a 'micro-macro paradox', illustrating a systemic difficulty in translating positive results at the micro level into positive outcomes at the macro level (Clemens et al., 2004; Ndikumana, 2012).[3]

2.3 Isolating the Impact of Aid

The focus of the aid effectiveness evaluation literature on aggregate measures of economic performance exacerbates the classic challenge faced in all evaluation exercises. The first challenge is formulating a counterfactual against which the impact of aid can be assessed. It is difficult to imagine what would have happened if aid had not been delivered for a phenomenon that depends on multiple factors, such as long-run economic growth – or any other macroeconomic indicator for that matter. It is difficult to justify that growth, investment, or savings would have remained on the pre-aid trajectory in the absence of aid inflows because the non-aid factors and their relationships with economic performance cannot be held constant throughout the period of analysis.

The second challenge is to isolate the impact of aid from other factors that may also affect the target indicator. If the latter is an aggregate indicator, such as output growth or its correlates like domestic investment and savings, the challenge is how to single out the direct effects of aid that are independent of the effects of other determinants of growth – namely, investment and savings.

The third issue is the possibility of a two-way causality between aid and the target. While it may be argued that aid can stimulate growth and wellbeing in recipient countries, the level of wellbeing and growth also determine the amount of aid that a country receives. On the one hand, aid may be allocated based on economic performance, in which case higher growth will precede rising aid inflows, and conversely, poor economic performance will be followed by lower aid allocations. On the other hand, aid may be targeted to poorer countries, when the objective of aid is to help alleviate poverty. This is the case for grant aid. But given that grant

[3] Also see Ndikumana (2012) and Roland-Holst and Tarp (2004).

aid represents a small fraction of the total volume of external assistance, which includes concessional and non-concessional loans, this relationship may be difficult to discern in multi-country studies that link aggregate development assistance to economic growth. These complex relationships constitute a major reason for the lack of consistency in the evidence from the aid effectiveness empirical literature.

2.4. Aid Measurement and Reporting

The empirical literature on aid effectiveness confronts several problems regarding the measurement of foreign aid. This is particularly important because, if the key variable in the analysis is poorly measured, then the robustness of the results is compromised.

One of the issues is the level at which aid is measured and reported. The bulk of the empirical literature has relied on aggregate inflows of foreign aid measured at the country level. In practice, however, development assistance is negotiated and disbursed to support development programs at the project and sectoral level. There is, therefore, a fundamental misalignment between the point of intervention of aid (at the micro and sectoral level) and the level of evaluation of development outcomes (at the macro level). Even in the case of budget support and basket funding, the actual activities funded by aid take place at the sector and project level. Attempting to identify the aggregate impact of interventions that are, in practice, at the micro and sectoral level creates serious empirical difficulties.

There have been recent efforts to expand the focus of aid effectiveness evaluation to analysis at the sectoral level. This sectoral approach can contribute to shedding light on the observed micro-macro paradox in the aid effectiveness literature. The findings from this new strand of the literature are discussed in detail in Section 5.

2.5. Focus on Donors vs. Recipients – the 'Value for Money' Imperative

The analysis of aid effectiveness also raises the question of which perspective to adopt: the recipient perspective or the donor perspective. This question is pertinent on several fronts. Firstly, aid effectiveness is assessed with respect to specified objectives. If the objectives of the donors coincide with those of the recipients, then the results will not be affected by whether the assessment is undertaken from the donor's perspective or the recipient's perspective. In practice, however, this scenario is more often the exception than the rule. Even on a bilateral basis, perfect alignment of objectives between donor and recipient is rare. The fact that recipient countries deal with multiple donors with different objectives creates serious challenges in the assessment of aid effectiveness.

Secondly, aid effectiveness may be compromised by problems arising from the donor side as well as the recipient side. While the literature has pointed out issues related to aid delivery and donor coordination as constraints to aid effectiveness, the bulk of the burden has been typically placed on the recipient's side. Failure of aid to deliver on its expected goals is often blamed on the recipient's poor policy environment, inadequate absorptive capacity and structural factors that hinder aid effectiveness. Most importantly, the bulk of the evaluation has been undertaken through the lenses of the donor or the evaluator, with minimum incorporation of the recipient's perspective. This paper emphasizes that an assessment that integrates the recipient's perspective is better equipped to provide evidence that is useful for designing reforms and strategies that can ultimately improve the effectiveness of foreign aid.

3. AID EFFECTIVENESS IN AFRICA: EVIDENCE FROM THE LITERATURE

This section discusses the lessons and key issues emerging from the empirical literature on aid effectiveness in African countries. It focuses on the issues related to the delivery and distribution of aid across countries, the role of policy and institutions, absorptive capacity and structural factors. It begins with a review of the trends of official development aid to Africa over time, followed by a discussion of the issue of aid dependence in Africa.

3.1. Has Africa Received Disproportionately High Volumes of Aid?

According to the economics literature, as well as reports from the policy community, Africa has received, and continues to receive, a disproportionately high level of official development aid compared to other regions. Carol Lancaster states unequivocally that "Africa is the world's most aided major region" (Lancaster, 1999, p. 487). She points to higher aid/GDP ratios in the region, which are, naturally, higher for smaller countries.

This then raises the question of why so much aid has generated so few benefits. Indeed, until at least the turn of the century, Africa trailed behind other regions in terms of growth and most indicators of human and social development. It is, therefore, argued that aid has not been effective, and certainly that it has been less effective than in other regions.

Since the turn of the century things have begun to change. Growth has accelerated in the majority of African countries, prompting a new narrative on African development. Analysts who had dubbed the continent as "hopeless"[4] have become the cheerleaders of an "Africa rising",[5]

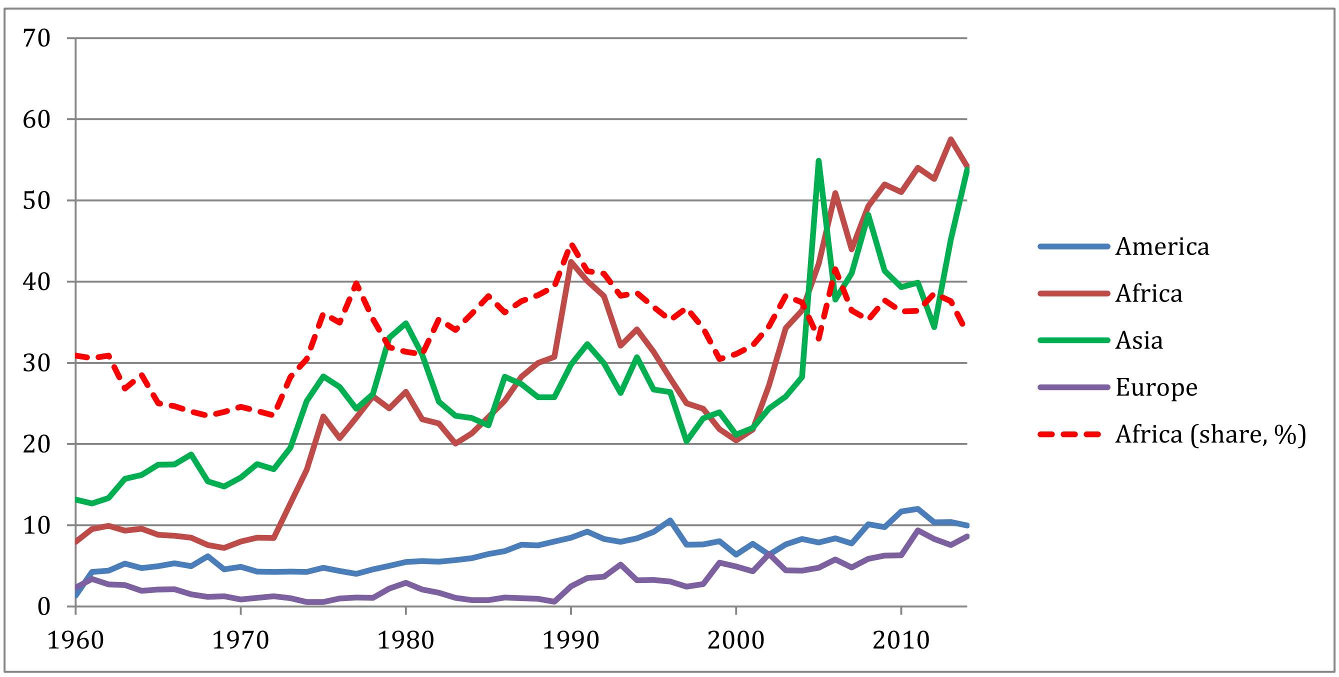
[4] "Hopeless Africa." *The Economist*, May 13, 2000
[5] "Africa rising: A hopeful continent." *The Economist*, 2 March 2013.

an “aspiring Africa”, “the fastest growing continent”.[6] Still, there is concern that the continent has not made sufficient progress and that growth acceleration has not translated into commensurate improvements in human and social development. The question, therefore, remains as to whether aid in Africa has been effective, even in the midst of growth resurgence.

The first question is whether, in fact, Africa has received proportionately high levels of foreign aid inflows, both in absolute terms and in comparison to other regions. This is the object of this subsection.

The data indeed shows that in absolute terms, Africa and Asia are the two leading continents that have systematically received the highest volume of official development assistance since the 1960s (Figure 1). In the 1990s, aid to Africa declined steadily. Total aid flows dropped by more than half, from US$ 42.5 billion in 1990 to US$ 20.5 billion in 2000. The aid flows recovered the upward trend at the turn of the century, only punctuated by a dip during the global economic recession of 2008-09. In 2014, the continent received a total of US$ 54 billion in foreign aid.

Figure 1: ODA Flows from all Donors by Region (constant 2014 US$, billions)



Source: OECD database

[6] “Aspiring Africa: The world’s fastest-growing continent.” *The Economist*, 10 May 2016

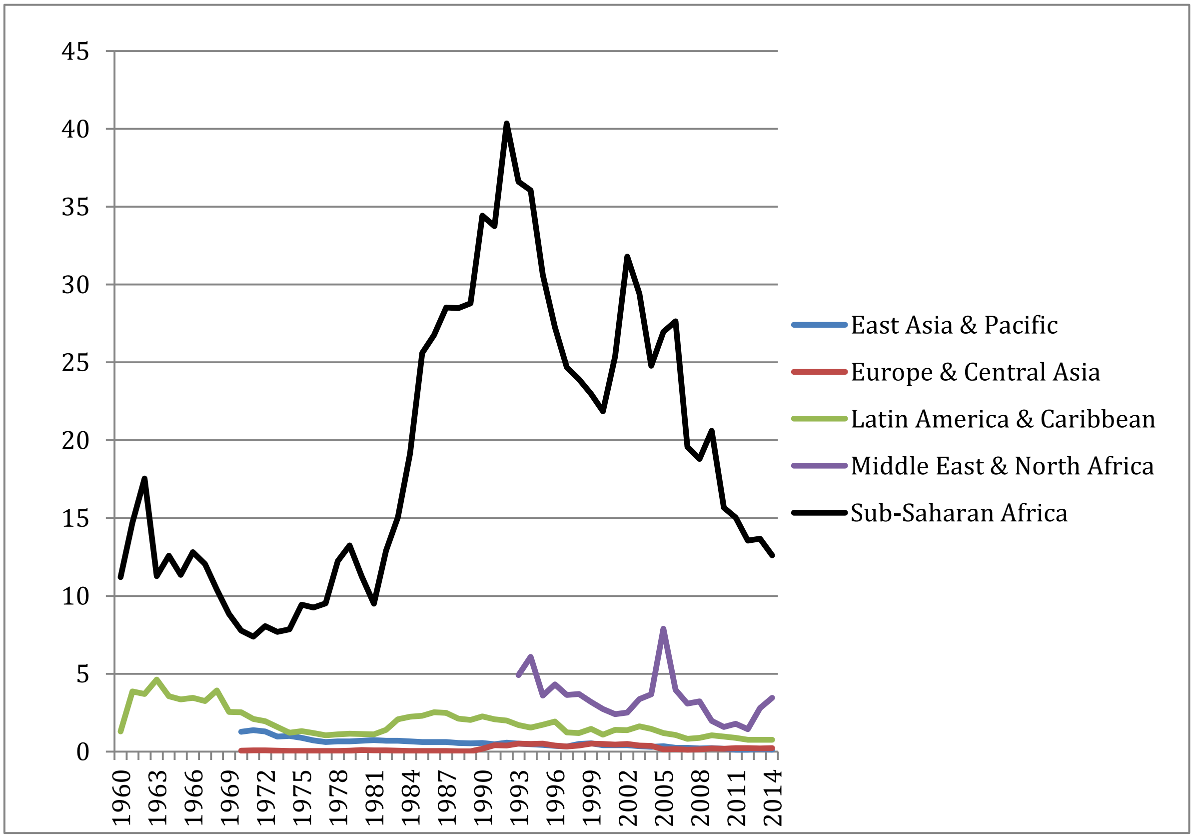
Beyond these aggregate numbers, however, closer scrutiny reveals two important facts. The first is a shift in aid allocation in favor of developing Europe, the Middle East and North Africa in recent decades (see Table 1, Appendix). Developing Europe is the only region where aid increased during 1990-2000, a period which marked a drastic decline in aid flows to developing countries. The region continued to receive increasing volumes of aid thereafter. The second fact is that despite the apparent increase in the volume of aid to Africa, its share in total aid to the developing world has not increased (Figure 1 and Table 1). While the volume of aid has risen steadily since 2000, the continent's share in global development assistance remains below the peak of 1990 and it has basically remained flat since the turn of the century.

The third fact is that despite the rising absolute volumes of foreign aid, these inflows remain below Africa's development financing needs. Africa faces a relatively larger financing gap than other regions, which is a major reason for its relatively weaker performance in domestic investment. Two observations are significant here. First, the ratio of foreign aid to domestic investment is substantially higher in Africa than in other regions. This suggests a higher dependence on foreign aid in Africa. Second, this ratio has declined steadily and substantially since the beginning of the 1990s (Figure 2). This suggests either that investment has increased faster than aid or that African countries are able to mobilize alternative sources of investment financing. Indeed, evidence from econometric analysis suggests that foreign aid plays an insignificant role in financing domestic investment in Africa. Domestic resources – namely, savings and bank credit to the private sector – play a more important role (Ndikumana and Mannah-Blankson, 2015).

Aid flows to Africa are also unequally distributed across countries (see Table 2, Appendix). Large countries receive the lion's share of total aid to Africa. Egypt received 10.7 percent of the cumulative aid to the continent from 1960 to 2014; followed by Tanzania (5.1%), Ethiopia (4.7%) and the Democratic Republic of Congo (4.4%). The top 10 countries received 45.5 percent of the cumulative foreign aid to the continent over the past five and a half decades.

The analysis in terms of aid per capita is misleading as it shows highest amounts in small economies. Indeed, Seychelles, Cabo Verde, Sao Tome and Principe, Djibouti and Comoros appear at the top of the list. Yet, even small countries need a minimum threshold of aid to finance a meaningful development program. This is particularly the case for infrastructure investment, which requires a large amount of funding. These economies are at a disadvantage given that the current aid allocation process gives a large weight to size.

Figure 2: ODA as percentage of gross domestic capital formation by region



Source: World Development Indicators

3.2. Aid Dependence

Rising levels of foreign aid have raised a number of questions regarding potential adverse effects on the economies of the recipient countries. Sustained high levels of aid inflows may pose two related issues: aid dependence and the dominance of aid over domestic development efforts. These issues are particularly pertinent in the case of sub-Saharan Africa (SSA) given the evidence presented in this paper, which shows that the region has received a substantial volume of aid over an extended period. This has also been highlighted in earlier studies. Brautigam and Knack (2004), for example, found that the number of African countries receiving aid in excess of 10 percent of GDP increased from 13 to 30, between 1980 and 1990. They also found that in 27 SSA countries, aid represented more than 25 percent of government expenditure in 1999; and exceeded 50 percent in 17 countries. Moss and Subramanian (2005) established similar findings in 2003: they found that 16 out of the 22 LICs where aid represented more than 50 percent of government expenditure were in sub-Saharan Africa.

Today the picture has not changed much. A substantial number of SSA countries still exhibit high aid intensity, whether measured by ratios of aid to national income or aid to government expenditure. Table 3 (Appendix) presents the average ratio of aid to government expense for the most recent five years up to 2013 for SSA countries with available data. For thirteen out of the 29 countries in this sample, aid represents over 50 percent of government expense. The ratio exceeds 100 percent in four countries: The Democratic Republic of Congo (109.2%), Ethiopia (111.3%), Rwanda (113.0%), and Sao Tome and Principe (114.7%).

The evidence also indicates that high aid dependence tends to be associated with low performance in tax revenue mobilization. For countries with high aid to government expense ratios, aid also represents a large percentage of tax revenue, and tax to GDP ratios are substantially lower than in countries that are less dependent on aid. The leading performers in tax mobilization have substantially lower aid to government expenditure ratio. The five countries with tax to GDP ratios of 20 percent or higher, have aid to government expense ratios of 15 percent or less: Angola, Botswana, Lesotho, Namibia, Seychelles and South Africa. This apparent negative association between aid intensity and tax incidence has prompted questions about the potential negative effects of aid dependence on domestic revenue mobilization – specifically, whether aid may crowd-out tax revenue generation.

The literature has also raised broader economic and institutional issues associated with aid dependence. The most prominent issue addressed by economists is the macroeconomic imbalances associated with high and sustained volumes of aid inflows. Specifically, the concern is that aid may have negative effects on the receiving economy by causing exchange rate appreciation, which in turn undermines the competitiveness of the country's exports. Moss et al. (2006, p. 5) argue that "aid can have many of the same dysfunctional effects as natural resources; that is, there can be an 'aid curse' as well that might create perverse incentives and lead to anti-developmental outcomes". This argument implies that countries with high levels of aid dependence would perform relatively poorly compared to those that receive lower aid inflows. Consequently, high aid dependence would undermine aid effectiveness.

In addition to the negative macroeconomic effects, high levels of aid, specifically aid dominance, may undermine the government budget process itself, for two particular reasons. The first is that given the uncertainty and volatility of aid, aid dependence could undermine the ability of the government to budget and plan its development expenditures effectively. The second reason is that the abundance of aid creates fiscal indiscipline, as it serves as a "soft budget constraint" (Brautigam and Knack, 2004), setting the government on a path of high expenditure, which is both inefficient and unsustainable.

Equally critical, are the potential adverse effects of high aid dependence and aid dominance on the recipient country's institutional development. Specifically, aid dependence may undermine three key dimensions of a country's institutional framework that are critical for efficient policymaking and long-term development: accountability of the government to the people; government ownership of the development agenda; and public participation in the policy decision-making process. As a result, high aid dependence is likely to be associated with low quality of governance and a delay in institutional development.

Ultimately, aid may in fact produce perverse effects that are counter to the mission of development assistance, in what Moss et al. (2006, p. 5) call the *aid-institutions paradox*: "at very high levels over a sustained period, aid could [also] have distorting effects on some of the very outcomes donors hope to encourage through aid, such as policy ownership, fiscal sustainability, institutional development, and, ultimately, autonomous long-term economic growth." The potential adverse effects of high aid dependence have prompted concerns about the call for scaling up aid to developing countries in general, and to Africa in particular – the "Big Push" advocated by leading scholars such as Jeffery Sachs (Sachs, 2005).

These concerns, nonetheless, do not refute the merit of increasing aid to developing countries. Instead, they call for a targeted and more efficient utilization of the additional aid resources – notably, to meet the needs associated with major regional and global development challenges such as the fight against endemic diseases, climate change adaptation and mitigation, funding research in health (e.g., anti-malaria medicine) and agriculture, science and technology, and others.

3.3. Constraints and Enablers of Aid Effectiveness in Africa

The literature on aid effectiveness has identified a number of factors that serve as either constraints or enablers of aid effectiveness – in general and in the African context in particular. These factors can be grouped into two main categories: policy and institutions; and structural factors and absorptive capacity. This section discusses these factors in turn.

3.3.1. Policy, Institutions and Aid Effectiveness

The argument that the policy environment is an important determinant of aid effectiveness is not new in the literature. As early as the 1970s, the World Bank introduced 'policy-related lending' following the realization that a key cause of the failure of Bank-funded projects was "ill-chosen policies" (Killick, 1991, p. 26). The argument was hammered down at the end of the 1980s, especially in the context of the evaluation of structural adjustment lending programs. A survey by Reynolds (1985) concurred that "political organization and the administrative competence of governments is the single most important explanation of variations in developing countries' growth records". The survey by Riddell (1987) also agrees that aid effectiveness is critically dependent on the policy environment. Donors' own internal evaluation reports reinforced the importance of policy for aid effectiveness. The 1989 World Bank internal evaluation report concluded that "the fate of projects depends on sectoral and macro policies" (World Bank, 1989, p. 30).

The academic profession also focused primarily on the macroeconomic policy environment. A study of the role of aid in economic development by Krueger et al. (1989, p. 306) concluded that "the macroeconomic policy setting is an important determinant of the success of sectoral and project assistance. In countries where the macroeconomic policy framework is appropriate, real rates of return to investment projects tend to be high."

The main argument in the literature is that macroeconomic policies influence the supply side of the economy. Specifically, sound economic policy promotes macroeconomic stability, which enhances the reliability of market signals and raises the rates of returns to investment. Ultimately, a good policy environment enhances the supply-side response to policy innovations. The notion of policy environment here strictly focuses on market-oriented policies – in other words, policies that are seen to improve the functioning of unfettered markets.

In practice, the advice received by developing countries from the Bretton Woods Institutions under this framework had three main pillars: 1) avoid large macroeconomic imbalances; 2) pursue 'market-friendly' policies; 3) take maximum advantage of opportunities in foreign trade and foreign investment (Killick, 1996, p. 212). Specifically, countries pursued policies aimed at achieving low and stable inflation through the control of money supply, domestic credit and government deficits; competitive exchange rates; and avoidance of financial repression by dismantling interest rate controls.

At the turn of the century, the idea that aid effectiveness is determined by policy was reignited by influential yet controversial work that claimed that aid works only in countries that have good policies and institutions (Burnside and Dollar, 2000; Collier and Dollar, 2001).[7] This new evidence on the role of policy consolidated the importance accorded to the policy environment in aid allocation, and provided a motivation for stronger and more systematic aid policy conditionality. As Chauvet and Guillaumont (2004, p. 95) put it: "a significantly positive coefficient of the $aid \text{ x } policy$ interaction term in a growth regression has induced a significant international reallocation of aid." However, this empirical evidence has been contested, both conceptually and empirically (Easterly et al., 2003). Thus, there is still no consensus regarding

[7] For comments see, among others, Easterly et al. (2004) and Alvi et al. (2008); see Burnside and Dollar (2004) for a reply.

the policy-aid effectiveness nexus. This lack of consensus is due to a number of unresolved issues in the evaluation framework.[8]

The first issue concerns the causality between aid and policy. Going back to the basic framework described in equation 1 in Section 2, the working assumption in the literature is that aid improves economic outcomes (such as growth) conditional on policy environment. The issue is that aid and the policy environment are not independent of each other. On the one hand, the policy environment determines the volume of aid allocated to a recipient country. Specifically, a good policy environment entitles a country to a larger aid allocation because such a country is viewed as less risky by outcome-maximizing donors. Such a country has access to a larger pool of resources including concessional and non-concessional loans. On the other hand, aid may potentially have an impact on the policy environment if aid is used to finance policy and regulatory reforms in the recipient country. These potential two-way relationships imply difficulties in interpreting the empirical evidence on the relationship between aid and economic outcomes where policy is taken into account.

A positive relationship between aid and economic outcomes could reflect the fact that aid allocation is skewed toward countries with strong institutions, which would have achieved higher economic outcomes even in the absence of aid. A negative relationship could also arise in a situation where countries with a particularly weak policy environment, such as fragile states and countries in conflict, are awarded higher volumes of aid, especially humanitarian aid, but perform poorly due to their weak fundamentals. It is also possible that the relationship between aid and economic outcomes could be statistically insignificant in the context of cross-country analysis due to the heterogeneity of the policy-aid nexus, as well as the fact that for many countries the volumes of aid may simply be too low to have a meaningful effect.

The second issue relates to the assignment of responsibility for the lack of effectiveness. Both the academic literature and the professional evaluation community have primarily focused on the failures on the recipient side. According to Nicholas Stern, the main lesson from past experiences about development and development assistance is that "the prime mover of development must be the country itself… the country's own initiative, capacity, and political readiness are what drive policy change and institutional reform, rather than foreign assistance and associated loan conditionality" (Stern, 2004, p. 16). Thus, lack of aid effectiveness is typically blamed on the recipient government's poor policies. In a sense, the arguments on policy conditionality imply (implicitly or explicitly) that the conditions for aid effectiveness are under the control of the recipient government, so that the former is fully responsible for any failures.

[8] See Killick (1996) for a review of the impact of the specific case of aid provided under the structural adjustment programs of the 1980s.

In practice, however, the responsibility is shared. On the one hand, the policy environment in the donor country influences the disbursement and allocation of aid, as well as the implementation of aid-funded projects and programs. In particular, the allocation of aid may be influenced by the donor's' strategic interests rather than the recipient's developmental goals. Factors on the donor's side may also influence the speed of aid disbursement, support provided during project implementation, the quality of monitoring and the overall cost of aid coordination. This implies that empirical analysis that only considers the policy environment on the recipient side is likely to produce misleading results.

The influence of factors on the donor's side is especially pertinent given the alleged proliferation of donors – who come with different, and even divergent, conceptions regarding the appropriate policy environment and institutional framework for aid effectiveness. In a context of donor proliferation, inconsistencies across donor policy and institutional orientation will increase the cost of aid coordination, which will undermine aid effectiveness.

Given these complex relationships, it is clear that further research is warranted for a deeper understanding of the linkages between the policy and institutional environment and aid effectiveness in African countries.

3.3.2. Absorptive Capacity and Structural Factors

Absorptive capacity has been identified as a key factor for aid effectiveness, a result associated with the long-held view in the economic literature that foreign aid is an investment. According to this view, development assistance must be allocated in such a way that it generates maximum returns to capital aid. As Rosenstein-Rodan (1961, p. 107) put it five decades ago, "capital aid should be offered wherever there is reasonable assurance that it will be effectively used". The objective of foreign capital aid is to increase domestic capital formation up to a level which could be maintained without further aid. In other words, foreign aid is effective when it helps set a country on a sustainable growth path. The extent to which this could be accomplished depends on the recipient country's 'technical absorptive capacity', defined as "the ability to use capital productively" (Rosenstein-Rodan, 1961, p. 108). The problems of absorptive capacity are exacerbated when aid inflows are both large and increasing, and when the supply-side response is slow and weak (Killick and Foster, 2011). Key characteristics of a country with strong absorptive capacity include a record of high past domestic investment, domestic saving and tax revenue mobilization, and strong overall administrative organization.

Low absorptive capacity in recipient countries has been singled out in the literature as one of the key constraints to aid effectiveness in Africa and in other developing regions. There are three dimensions of absorptive capacity that are particularly widespread. The first is the low capacity to mobilize aid. Recipient countries with low absorptive capacity fail to mobilize the levels of aid commitments that are potentially available from donors due to an inability to present credible programs and convince donors that their money will be well spent. This requires the capacity to negotiate, engage in dialogue to demonstrate capacity and credibility *ex ante*. The second dimension is the ability to execute projects. This involves the capacity to implement programs to release aid tranches and, most importantly, the ability to drive the development of programs rather than depend on donors for program implementation. The key manifestation of a lack of capacity for implementation is a high backlog of unspent aid commitments. The third dimension is a low rate of return efficiency; that is, the inability to achieve planned outcomes. The indication of low absorptive capacity is large gaps between *ex ante* and *ex post* rates of returns on projects.

Low absorptive capacity in Africa is a result of structural constraints that are inherent to its economies. The main factors are: (1) the small size of domestic markets, which result in a narrow saving and tax base – this restricts the government's ability to finance recurrent expenditures, thus perpetuating aid dependence; (2) chronic dependence on primary commodities and lack of a broad industrial base; (3) weak infrastructure resulting in high production and transport costs; (4) political and institutional weaknesses, which negatively affect the allocation of aid and the efficiency of its utilization.

An important analytical issue is that, while absorptive capacity influences, or even determines aid effectiveness, a case can also be made that aid can influence absorptive capacity. If this is the case, then the analysis must move beyond identifying how lack of absorptive capacity has undermined aid effectiveness in Africa to examining why aid has not improved absorptive capacity – given that, for a long time, donors have been aware of the fact that absorptive capacity is a precondition for aid effectiveness. In this regard, Pritchett et al. (2012, p. 2) asked the following question: "How do donor and recipient countries manage to engage in the logics of 'development' for so long and yet consistently acquire so little administrative capability?" The fact that aid has not contributed to improving capabilities in recipient countries holds the key to understanding the factors for low aid effectiveness in African countries. This implies that the analysis of aid effectiveness, or the lack thereof, must include an assessment of how much aid allocation has been used to alleviate the country-specific structural factors that constrain absorptive capacity in Africa.

The foregoing discussion further underscores the inadequacy of the analytical framework that has been used to evaluate aid effectiveness, which is primarily focused on linkages between aid and economic performance at the macroeconomic level. Most of the structural constraints are at the sectoral level. Hence, a comprehensive analysis of aid effectiveness must incorporate an assessment of the two-way relationships between aid and sectoral factors of absorptive capacity – in other words, how these factors affect aid effectiveness, and how aid allocation helps unlock these sectoral constraints to absorptive capacity. At the moment the literature has little to offer on this. Section 5 of this paper reviews the findings from the emerging literature that attempts to fill this gap by examining the implications of sectoral allocation of aid on development outcomes.

Before that, however, we discuss the diversification of sources of development assistance to Africa and the implications for aid effectiveness – with a special focus on the expansion of Africa's relations with new partners and the strengthening of South-South cooperation.

4. SOURCES OF AID TO AFRICA AND THE CHANGING DONOR LANDSCAPE

4.1. Concentration of Sources of Aid to Africa

The data on aid inflows to Africa highlights two important facts. The first is that the bulk of aid to Africa comes primarily from Development Assistance Committee (DAC) donors and multilateral institutions. The two account for 93 percent of the cumulative aid received by Africa since 1960, with 63 percent from DAC donors and 30 percent from multilateral donors (see Table 4, Appendix). Moreover, a small number of bilateral donors account for a substantial share of total aid disbursements. The leading donors are the United States (14.5%) and France (13.6%), followed by Germany (6.3%), the United Kingdom (5.5%) and Japan (3.9%). The top 5 donors account for 43.8 percent of the cumulative ODA flows to Africa since 1960.

The second fact is the substantial concentration of sources of aid for many African countries. Concentration of donor aid is the emerging norm, whereby donors seek to provide larger amounts of aid to fewer countries (Brown and Swiss, 2013). The likely outcomes are twofold: on the one hand, the creation of aid orphans, particularly fragile states, where risks of project and program failures are perceived to be higher and; on the other hand, aid darlings with limited value added of aid especially for small donors. There is little empirical evidence of the gains from donor concentration on few recipients. In contrast, there is ample evidence of the negative effects of aid fragmentation associated with aid concentration on aid effectiveness (Knack and Rahman, 2007).

In the case of African countries, donor concentration is especially prevalent among Francophone countries where France represents a commanding share of total aid (see Table 5, Appendix). The share is as high as 68 percent for Algeria and Gabon, 58 percent for the Republic of Congo and over 30 percent for 6 other countries. The other dominant sources of aid are the United States, Belgium and Portugal. It is, therefore, clear that donor aid remains closely linked to colonial ties. Indeed, for most African countries the top donor is their former colonizer, with the US taking on the role of dominant donor in some former British and Portuguese colonies.

Heavy concentration of aid sources has potentially important implications for aid effectiveness. On the negative side, high concentration of aid sources increases the recipient's vulnerability to large fluctuations in aid inflows and, therefore, creates uncertainty in planning and management of development programs. On the positive side, at least in principle, a smaller number of donors implies lower coordination costs. In a sense, it also means that aid recipients can focus their efforts in aid negotiation and policy dialogue on multilateral donors and a few dominant bilateral donors. However, for the majority of African countries, bilateral aid remains dispersed, with individual donors representing a small share of total aid. Thus, aid coordination remains an important concern with regard to aid effectiveness for the majority of African countries.

4.2. Africa and South-South Development Cooperation – A 'New' Development Paradigm?

Africa's economic relationships with non-traditional partners, or 'emerging' partners, has generated substantial attention in academia, the policy community and the media – particularly, in light of observed, or often presumed implications, for African development and the impact of these new linkages on the international aid architecture.

The large emerging market economies dominate the scene, led by China, Brazil, and India. While these relationships may be assuming increasing importance, most of them are, nonetheless, old. In the case of China, its links with Africa – within the context of global development cooperation – can be traced back to the 1955 Bandung Conference and the Non-Aligned Movement, which promoted cooperation based on mutual respect, non-interference in domestic affairs and peaceful coexistence among countries (Amanor and Chichava, 2016).[9] Historically, China's aid to Africa has had a strong diplomatic and strategic motive. China has regarded Africa as a strategic ally in the context of hegemonic struggles between the West and the socialist bloc. There has been a rapid expansion of economic linkages between Africa and these emerging powers, particularly since the turn of the century, characterized by deepening trade and investment flows. Until the end of the 1990s, Africa's trade with its partners from the South was negligible. The current leading partners, Brazil, China and India represented 7 percent of Africa's total trade, valued at US$ 23 billion in 2000. In the subsequent fifteen years, trade with these three countries increased tenfold, reaching US$ 239 billion in 2014 (Figure 3). The share of these three countries in Africa's total trade increased threefold over the period, settling at 23 percent in 2014. China remains the leading partner, accounting for about 15 percent of Africa's total trade.

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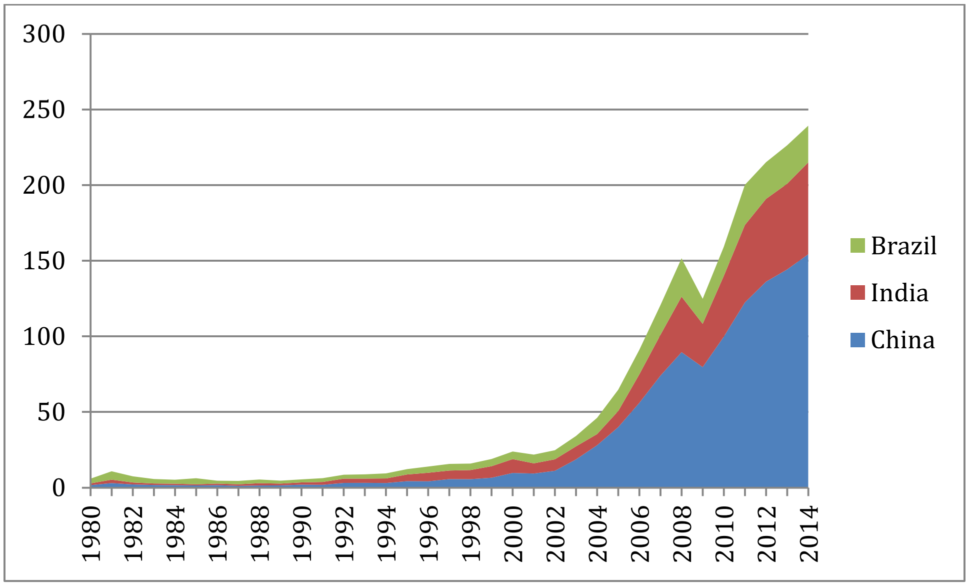
[9] Also see other papers in the special issue of *World Development*, volume 81, 2016.

Figure 3: Africa's Trade with Emerging Partners: Exports + Imports (billions, constant 2014 US$)



Source: IMF, Direction of Trade Statistics (January 2016 CDROM Edition)

Trade expansion is accompanied by similarly rising investment flows into Africa from emerging partners, although these are more difficult to measure. This expansion in trade and investment with emerging partners is an important indicator of the deepening development cooperation between Africa and its partners from the South, especially given that the latter use trade as an important tool of development cooperation. Thus, in analyzing the impact of official development assistance from this group of donors, the attention must move beyond conventional official development aid.

An interesting question is what is driving the rapid expansion of Africa's relationships with its new partners. The drivers pertain to changes in both domestic conditions in Africa and developments in the global economy. We focus on the former. Four key factors explain why Africa is becoming a prime trade and investment partner. The first is the growth resurgence recorded since the turn of the century. While the academic literature and the media have given credit to trade and investment from emerging partners as drivers of Africa's growth resurgence, it could, in fact, be argued that the relationship may be in the reverse direction. Growth acceleration is a symptom of increased domestic demand and higher returns to investment, which has made Africa more attractive to capital-surplus emerging economies eager to feed their growing industrial sectors with Africa's natural resources.

The second factor is the deepening of economic reforms and liberalization in Africa, which has opened up investment opportunities for private operators from emerging economies. This is especially pertinent given the new partners' mixed approach to development cooperation: state-to-state engagements are intermediated by private and semi-private banks, and corporations that serve as instruments and channels for the transfer of resources and technology from the emerging partners to Africa. Therefore, the privatization and market liberalization reforms pushed down on African countries by the Bretton Woods Institutions in the 1980s and 1990s may have paved the way for the explosion of the continent's trade and investment linkages with its non-traditional partners.

A third related factor is the improvement in political stability in the majority of African countries – the end of civil wars and the continent-wide move toward democratization since the mid-1990s. These developments have helped reduce perceived sovereign risk in the eyes of foreign investors, which has promoted trade and induced rising financial inflows in the form of foreign direct investment, trade financing, and other financial instruments.

The last fundamental factor is Africa's endowment in natural resources, including agricultural land. While attention has primarily focused on oil and mineral resources, agriculture is also an important destination for investments from Africa's emerging partners. They consider agriculture as a major pillar of their own national development strategy and thus seek to make it a focus of their engagement with Africa. In the case of China, engagement in Africa's agriculture constitutes one of the pillars of its development cooperation – consistent with China's long history of engagement with Africa, as well as its strategic emphasis on rural development (Brautigam and Tang, 2009; Cheru and Modi, 2013; Scoones et al., 2016).[10] As Brautigam and Tang (2009, p. 686) put it, "today, Chinese leaders want their farmers and companies to go 'down to the African countryside' to serve China's strategic interests". It is estimated that agriculture accounted for about 20 percent of the turn-key projects funded by Chinese aid in Africa between 1960 and 2006 (Brautigam and Tang, 2009).

The expanding linkages between Africa and 'emerging' partners have generated substantial debates with regard to their motivations – particularly in terms of Chinese interests, and their implications for Africa's development and aid effectiveness. The interpretations fall into three main categories (Amanor and Chichava, 2016; Brautigam, 2009, 2011). The first camp of analysts interprets Africa's relationships with its non-traditional partners in the context of South-South cooperation motivated by Third World solidarity, horizontal exchange, mutual respect and complementarity (Golub, 2013). According to this view, the new partners offer the African continent access to new financing and market opportunities that are different from

[10] Refer also to other papers in the special issue of *World Development*, volume 81, 2016 containing studies on engagement in African agriculture by Brazil, China and India.

those associated with its relationships with its traditional partners in the North – which are typically viewed as exploitative. In this regard, Africa's relationships with its new partners are both politically liberating and economically mutually beneficial.

According to the second camp, the expansion of Africa's economic linkages with non-traditional partners is motivated by the scramble for Africa's natural resources (Carmody, 2011; Lumumba-Kasongo, 2011). Hence, they are viewed as nothing but a new form of imperialism that perpetuates Africa's unfavorable position in global economic and financial relations. In that sense, these exchanges deepen Africa's 'thin' integration and entrench Africa's role as supplier of low-value added commodities in exchange for high-value industrialized products – hence, unfavorable terms of trade (Ndikumana, 2015b).

There is also a concern that South-South development assistance can purposefully, or inadvertently, prop up autocratic regimes, thus suffocating democratic change in the continent.[11] It is argued that the lack of attention to governance may give incentives and opportunities for leaders in recipient countries to advance their own personal and political interests in the allocation of aid, which undermines aid effectiveness (Dreher et al., 2014).

Within this camp, there are also sector-specific concerns. For example, concerns have been raised regarding the impact of massive foreign investments in agriculture on the wellbeing of the rural population and the host economy as a whole. In particular, in countries where formal land rights are either non-existent or poorly enforced, foreign investments in agriculture put the rural population at risk of dispossession and displacement, which aggravates poverty. A related concern is the impact on food security in cases where foreign investment in agriculture crowds out production of food for domestic consumption, especially when the investments are explicitly geared to producing for export markets. Evidence on the actual magnitudes of these effects remains scarce and the public discourse is often influenced by media reports, which are mostly based on anecdotal evidence. As Brautigam and Tang (2009, p. 686) put it, "much is shrouded in the fog of rumor, a slowly changing tradition of secrecy concerning foreign aid, and the simple difficulties posed by research in challenging environments". A lot more needs to be done to gather country-specific evidence on the actual impact of Chinese investments in agriculture on social and economic development in Africa.

Under the third interpretation, Africa's relationships with its emerging partners are integrated with those of its traditional partners, both of which are guided by the search for commercial and geopolitical interests. In the context of globalization, development cooperation between

[11] See Brautigam and Knack (2004) for detailed discussion of the linkages between foreign aid and governance in sub-Saharan Africa. Dreher and Fuchs (2015) provide some econometric evidence on the role of governance in the allocation of Chinese aid in Africa. Also see Kelly et al. (2016) for an illustration with the a case study on Tanzania.

Africa and its partners from the South, as well as with those from the North, may be better seen as a "trilateral relationship". This is characterized by the increasingly powerful role of the private sector – specifically, multinational corporations and financial institutions.

On the one hand, the linkages between Africa and its traditional partners are often intermediated by the new partners who serve as cost-effective implementation agents of projects funded under North-Africa partnerships. Indeed, Western donor-funded projects are often implemented by Chinese companies, especially in the infrastructure sector, where China has a substantial comparative advantage in terms of the technology-cost combination. On the other hand, with the rise of multinational corporations and offshore financial centers as the dominant movers of global trade and finance, it is increasingly difficult to establish the direction of trade and financial transactions and determine whether they relate to South-South or North-South relations.

A question often raised is whether the new relationships between the 'emerging' partners and Africa constitute a new development cooperation paradigm. First, as documented in the literature, these relationships are not new from a historical perspective. Second, despite the fact that aid flows and related forms of economic exchanges between Africa and its new partners have increased rapidly since the turn of the century, their share in total external resource inflows to Africa remains relatively small. The data presented in the previous section clearly shows that Africa still draws most of its development financing from its traditional bilateral and multilateral donors. In this sense, the impact of the new donors on aid effectiveness is still limited. Third, on closer scrutiny, it can be argued that the new relationships are not fundamentally different from the traditional linkages between Africa and its Northern partners.[12] As Scoones et al. (2016, p. 1) put it, "despite important and significant shifts in styles of development cooperation, we also see many echoes of the past, set in a new geopolitical moment".

There are, however, many legitimate reasons to believe that the growing engagement between Africa and the increasing range of donors has implications for aid effectiveness that will certainly evolve as these relationships intensify. First, the model of development assistance adopted by the emerging partners is significantly different from the model used by DAC donors and international financial institutions. It is openly conceived as a means of advancing 'mutual' gains between the partners and African recipient countries. Here, of course, mutual should not be understood as 'equal' – Africa's economic exchanges remain substantially unfavorable in many dimensions, even with its Southern partners. The gains sought by these partners consist of a mix of commercial and strategic interests, whether direct or indirect.

[12] See Dreher et al. (2011) for some econometric evidence on the determinants of aid distribution by new donors compared to traditional donors.

Moreover, contrary to the DAC model, development cooperation with the emerging partners gives less attention to policy conditionality. This has important implications for aid effectiveness, especially with regard to the impact of development cooperation on the quality of policies and institutions. Given that the primary goal of the aid model pursued by the new partners is not to improve policy and institutions, any positive changes along these dimensions are likely to be unintended and independent of development cooperation. Nonetheless, the disregard for policy and institutional conditions may actually have negative effects as deepening cooperation may foster and entrench bad governance in recipient countries ruled by non-democratic regimes.

The different model of engagement adopted by Africa's emerging partners implies also that the methods used in the evaluation of aid effectiveness must be adapted for the analysis to yield meaningful results. One of the most important implications is that analysis at the macroeconomic level is not appropriate to assess the effectiveness of aid from Africa's emerging partners. This is because these partners' engagement is typically focused on strategic sectors and programs that best fit their own economic and strategic interests, as well as (though not systematically) the development strategies of the recipient countries. It follows that analysis at the sectoral level that aims to track the impact of foreign aid on narrowly defined goals is more appropriate to assess the effectiveness of aid from the emerging development partners.

Moreover, the evaluation of aid effectiveness must be expanded to non-financing instruments that form an integral part of the development cooperation model pursued by the new development partners. Thus, for example, the Chinese model uses aid to advance technology transfer, practical training and knowledge exchange, emphasizing lessons from mutual historical experiences with its African partners. In the case of Brazil, its engagement with African partners seeks to capitalize on its comparative advantage as a 'tropical country'. Thus, it is argued that it can bring in agricultural technologies that are better adapted to the local context in Africa. While the gains from these forms of cooperation may be difficult to quantify, they, nonetheless, may be an important channel through which development cooperation may have substantive effects – positive or negative – on economic and social development in the recipient countries.

Assessing aid effectiveness with respect to the emerging partners requires substantial adjustments to the conventional aid effectiveness model described in Section 2. The first challenge is the measurement of instruments of development cooperation. On the one hand, the non-traditional partners do not systematically publicly report their development assistance statistics, making it difficult to track the scope and intensity of their engagement in African countries. On the other hand, their engagement is often a mixture of government aid, funding from agencies with joint public-private ownership, and commercial arrangements (Brautigam, 2009, 2011; Brautigam and Knack, 2004). Failure to disaggregate financing between regular official development aid and commercially-oriented state funding is bound to lead to misleading conclusions (Dreher et al., 2015).

In practice, it is difficult to find comparable measures of development assistance because non-DAC donors are not held to the definitions and standards of the DAC. Africa's emerging development partners offer development assistance, some of which does not meet the criteria for "official development assistance" as defined by the OECD, but the assistance is, nonetheless, developmental (Brautigam, 2011).[13] In such a context, the concept of aid effectiveness takes on a different and much broader meaning.

The second challenge is the definition of the goals. The macroeconomic indicators conventionally used in the aid effectiveness literature are not appropriate given that the strategic objectives of bilateral development cooperation with the emerging partners are mostly defined at the sectoral and program level. This exacerbates the classic problem of aggregation of the impact of aid from the micro level, where action takes place, to the macro level, where the outcome indicators are measured. This implies that analysis of aid effectiveness in the case of the emerging partners requires a re-conceptualization of the social production function – more so than in the case of traditional donors. Such a production function needs to be defined at the sectoral level and the instruments and goals need to be measured, accordingly, at a disaggregated level.

The third challenge is the heterogeneity of the engagement models across donors and the principles that guide them. In the case of the traditional donors, these principles are enshrined in internationally agreed conventions that guide aid management – such as the 2005 Paris Declaration on aid effectiveness, which emphasizes that donors should commit to supporting ownership, harmonization, alignment with national development goals, results-oriented assistance and mutual accountability. But these principles are binding only for DAC member donors.

It is, nonetheless, worth noting that, while the non-traditional partners have their own principles, there are some similarities with those of the DAC model – at least in principle. For example, the eight principles that have guided Chinese foreign aid, as laid out in 1964 by Chinese Premier Zhou Enlai, have substantial overlaps with the DAC principles. In particular, they also emphasize ownership, alignment with the recipient's development priorities and managing for results.[14] But there are substantial differences, especially the absence of policy

[13] See Brautigam (2011) for a detailed discussion of the definition and categorization of development assistance and how Chinese aid fits in this framework.

[14] The eight 1964 principles of Chinese foreign aid are: equality and mutual benefit; respect for sovereignty with no conditions attached; interest-free or low-interest loans; promotion of self-reliance,

conditionality, deference to national leadership and resistance to interference in domestic affairs, and high levels of aid tying.

According to the emerging analysis of case studies in the literature, rather than following a common standard model, the emerging partners seem to adapt to local institutional and regulatory environments in their engagement with African countries. For example, while Ethiopia and Mozambique have both declared themselves “open to business” in the agriculture sector, actual bilateral arrangements seem to differ according to the national context (Scoones et al., 2016). Ethiopia offers an example of a developmental state that has formulated a clear national development strategy. The Government’s Growth and Transition Plan has identified strategic sectors, including agriculture, infrastructure and technology. China’s development cooperation fits into this strategy. Indeed, China is heavily involved in funding and executing infrastructure projects (roads, rail, dams), the sugar industry and biofuels (Alemu and Scoones, 2013).

In Mozambique, the focus of development strategy is less evident. It is also difficult to identify a specific focus of investments from China and other emerging partners. This has generated criticisms and raised concerns over the risks of corruption and patronage (Hanlon and Mosse, 2010). In the case of Zimbabwe, the engagement with China and other non-traditional partners is part of the Government’s ‘look East’ policy – in response to Western sanctions against the Mugabe regime (Alao, 2014). Land reforms provided opportunities for Chinese investments in agriculture, led by state-owned companies.

Evidence from these country case studies suggests that evaluation of the implications of Africa’s engagement with its emerging partners for aid effectiveness must explore how local institutional and regulatory conditions affect the nature, scope, intensity and duration of the engagement. The analysis of aid effectiveness must also consider how these local conditions are affected by the new partners’ cooperation engagement model. These two-way relationships between local conditions and the development cooperation model imply that it is difficult to derive meaningful insights from aggregate cross-country analysis on aid effectiveness in Africa in general, and with respect to the continent’s emerging partners in particular.

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not dependency; quick results; using best-quality equipment of Chinese manufacture; emphasis on technology transfer through technical assistance; Chinese experts living at the standard of local experts (Zhou 1964). For China’s current strategy on foreign aid, see the July 2014 White Paper issued by China’s Information Office of the State Council which is available online at http://english.gov.cn/archive/white_paper/2014/08/23/content_281474982986592.htm,

5. AID EFFECTIVENESS IN AFRICA – ANALYSIS AT THE SECTORAL LEVEL

5.1. Why is there a Need for Analysis of Aid Effectiveness at the Sectoral Level?

The preceding review of the literature on aid effectiveness in Africa makes two important points. The first is that empirical evaluations of aid effectiveness have focused primarily on the impact of aid on national level indicators, such as economic growth and its aggregate correlates (such as investment and saving). Second, the results of such macro-level analyses are mixed: while some studies conclude that aid works, others conclude that it does not work, while yet others argue that aid works, but only under certain conditions.

This lack of consensus in the aid effectiveness literature, we have argued, is the result of conceptual and empirical problems in establishing the chain of causality between aid interventions and macro-level outcomes. Furthermore, the complexity of this chain of causality itself, provides an important reason for the failure of evaluations of aid effectiveness to achieve consensus. As Ndikumana (2012) argues, aid is merely an instrument for achieving a final outcome. However, whether or not this outcome is attained depends on a range of factors, many of which may be unrelated to the initial aid intervention. For example, in order for aid to education to result in economic growth, not only must schools be built, but there must a corresponding increase in enrolment, attendance and literacy, improvements in learning outcomes, changes in household and individual decision making (e.g., sending or keeping girls in school), increased availability of employment opportunities, and increased productivity (Ndikumana, 2012). If any of these intermediate outcomes does not materialize, the impact of aid to education on economic growth may be compromised.

Furthermore, the assumption that aid effectiveness can be measured by the impact of aid on economic growth is difficult to justify on theoretical grounds. Donors and recipients negotiate aid allocation for specific purposes, programs and projects, many of which are unrelated to achieving economic growth, or only tangentially so. Moreover, donors differ in their preferences and practices regarding sectoral allocation of aid, which has implications for the impact of aid on development outcomes (Dreher et al., 2007). As Dreher et al. (2008) point out, studies that use aggregate aid, overlook the fact that different types of aid interventions are unlikely to have the same economic effects in all countries.

The foregoing discussion suggests that analyses of the effectiveness of aid would be more informative if they focused on a narrower set of outcomes. In other words, instead of focusing on remote national level indicators, it would be better to evaluate the impact of aid interventions on more immediate goals, where the causal chains are more obvious and there are fewer confounding factors. For example, the impact of an increase in aid to education should focus on intermediate goals such as access to education, enrolment, attendance, completion rates and literacy, rather than on economic growth. Such an analysis requires disaggregating total aid by sector to focus on aid going to specific sectors of the economy, and to assess the effectiveness of sectoral aid interventions against sector-specific objectives.

Although this was not possible in the past, greater disaggregation of aid data at the project level in aid reporting by donors has motivated sector-focused studies in the aid effectiveness literature – although, in comparison to the aid-growth literature, this work is still in its infancy. The majority of this new generation of sectoral studies has used data from developing countries as a whole, to explore the effects of aid targeted to particular sectors such as education and health, on outcomes in these sectors (Dreher et al., 2008; Mishra and Newhouse, 2009). The remainder of this section reviews the evidence from this burgeoning literature on sectoral aid and highlights key findings, as well as limitations.

5.2. Aid to Health and Health Outcomes

There is little consensus on the effectiveness of direct foreign development assistance to health on health outcomes across developing countries (Gyimah-Brempong, 2015). For example, while some studies find that aid to health has a positive impact on aggregate health outcomes such as infant mortality and maternal mortality (Afridi and Ventelou; Gyimah-Brempong and Asiedu, 2008; Mishra and Newhouse, 2009; Pickbourn and Ndikumana, 2016; Taylor et al., 2013), other studies find no significant effect (Kasekende and Atingi-Ego, 1999; Mukherjee and Kizhakkethalackal, 2013; Williamson, 2008; Wilson, 2011). Still other studies find evidence that health aid can have indirect effects on the health sector in developing countries by helping to stimulate domestic spending on health in recipient countries (Mishra and Newhouse, 2009), by reducing the emigration of doctors from recipient countries (Moullon, 2013) and by improving the quality of the health systems in these countries (Biesman et al., 2009; Muldoon et al., 2011). In contrast, there seems to be more general agreement in the literature that targeted health aid significantly improves health outcomes in specific programs. For example, in an extensive review of the literature on the effectiveness of aid targeted towards the support of maternal health, Taylor et al. (2013), conclude that this form of aid has been successful in reducing maternal mortality rates across developing countries.

A possible reason for the lack of consensus on the impact of health aid on health outcomes is that an analysis covering a large sample of developing countries makes it difficult to account for regional and national specificity.

Another reason is that, except for a few studies that use data on aid disbursements (e.g.,Gyimah-Brempong and Asiedu (2008)), the majority of the studies in this strand of the literature typically use data on aid commitments. As we show in the following section, the data on aid commitments overstate the actual flows of aid to recipient countries. By comparison, studies that have focused on aid to the health sector in sub-Saharan Africa, and that make use of data on aid disbursements to the health sector, appear to be in greater agreement on the effectiveness of health aid in achieving both sector-specific outcomes and program-specific outcomes. For example, using panel data from a sample of African countries over the 1990-2012 period, Gyimah-Brempong (2015) finds that disbursements of aid to the health sector significantly reduce child, maternal and cholera mortality rates; while increasing immunization rates and improving the success rate of tuberculosis treatment. The impact is not trivial: a one percent increase in health aid relative to GDP lowers the average child mortality rate by about 0.88 percent – equivalent to saving 1.28 lives for every 1000 children. The effect tends to be larger in countries that devote a greater share of public expenditure to health. This result corroborates the earlier finding by Gyimah-Brempong and Asiedu (2008) that health aid disbursements are associated with a larger reduction in child mortality rates in sub-Saharan Africa relative to other developing countries. Similarly, Yogo and Mallaye (2015) find that although health aid does not appear to increase life expectancy, each additional unit of health aid lowers the prevalence of HIV by 8.3 percent over four years and reduces child mortality by 64 percent in a sample of 34 SSA countries. Contrary to expectations, the authors find no evidence of a difference in aid effectiveness between post-conflict states and stable countries in the region.

A substantial share of the studies on the impact of health aid on health outcomes in sub-Saharan Africa have focused on the impact of health aid intended for HIV/AIDS-related activities on HIV/AIDS outcomes. These have yielded mixed results. Using data on aid disbursements, Bendavid and Bhattacharya (2009) find that the President's Emergency Plan for AIDS Relief (PEPFAR) – a US aid initiative to address the global HIV/AIDS epidemic – had the effect of reducing HIV-related deaths in the 12 PEPFAR focus countries after four years of activity; although there was no impact on HIV/AIDS prevalence. In contrast, using data on aid commitments in a slightly different sample of countries, Nunnenkamp and Öhler (2011) find that HIV/AIDS-related ODA does not prevent new infections, and is not effective in reducing HIV/AIDS-related deaths, once differences among countries in the level and number of deaths are taken into account. However, the effect appears to be dependent on the source of aid: the authors do find evidence of significant reductions in HIV/AIDS-related deaths when the US is the major source of HIV/AIDS-related ODA.

Despite the apparent success of targeted aid programs in achieving their goals, it is possible they may have unintended consequences outside the target issue area. For example, targeted health aid programs – such as those that disburse funds to reduce mortality due to malaria or HIV/AIDS – may reduce the capacity of the state-run public health system to achieve improvements in other public health targets. This question is explored by Lee and Izama (2015) using data from all sub-Saharan African countries designated by the WHO in 2003 as having a generalized HIV epidemic. Their analysis of the impact of PEPFAR over the period 2003-2009 shows evidence of a small (0.6%) reduction in the rate of decline in neonatal mortality in the 12 SSA countries that were among the first cohort of focus countries for the PEPFAR.

On the other hand, these unintended consequences are not necessarily negative: as Gyimah-Brempong (2015) and Yogo and Mallaye (2015) demonstrate, health aid helps to stimulate greater public expenditure on health, which raises the possibility of positive externalities arising from the allocation and targeting of health aid.

5.3. Aid to Education and Education Outcomes

The literature on the impact of aid to education on educational outcomes is scant, and to the best of our knowledge, there does not appear to be any work on sub-Saharan Africa. In comparison with the literature on aid and health outcomes, these studies find evidence of a positive impact of aid on education outcomes, although they differ with regard to the economic importance and magnitude of these effects. Michaelowa (2004) and Michaelowa and Weber (2006) find evidence of a positive effect of total aid commitments to the education sector on primary school enrolment and completion. Their results suggest that, on average, a one percent increase in education aid (relative to the recipient country's GDP) increases primary school completion rates by 1.6 percentage points per year – an effect which they argue is too small to have significant economic importance. Michaelowa and Weber (2008) differentiate between aid to primary, secondary and tertiary education, and find a positive effect of aid at all three levels. Again, however, the effect is low, with a one percent increase in education aid (as a share of GDP) improving completion rates by at most 2.5 percentage points. Their findings also suggest that the effectiveness of education aid depends on the political and institutional context in the recipient country, with aid to education having a negative effect on educational outcomes in countries with very low levels of political freedom.

Other studies are more optimistic in their findings. Using data from 100 developing countries between 1970 and 2004, Dreher et al. (2008), find that a one percent increase in aid to education (as a share of the recipient country's GDP) increases primary enrolment by 2.5-5 percentage points. In a subsequent paper in which they use education aid per capita as an explanatory variable, Dreher et al. (2008) show that a one dollar increase in education aid per capita can increase primary school enrolment by 0.3 percent, suggesting that if donors were to double education aid from current levels, enrolment would increase by 1.5 percent. Their results are corroborated by Gyimah-Brempong and Asiedu (2008), who find that aid to primary education has a positive effect on primary school completion rates – although the effect is smaller in sub-Saharan Africa than in other parts of the developing world. In contrast to Dreher et al. (2008), who find no evidence that institutional quality matters for educational outcomes or aid effectiveness, Gyimah-Brempong and Asiedu (2008) find that policy environment does matter for the effectiveness of aid to education.

5.4. Aid and Social Infrastructure

The literature on the effectiveness of aid targeted to social infrastructure in developing countries is just as sparse as that on aid to health and education. Here too, the results are conflicting. Using data on the share of total aid going to the water and sanitation sector in 110 developing countries in the year 2000, Wolf (2007) finds no impact of aid on access to improved sanitation, and a negative impact on access to improved water sources two years later. Bain et al. (2013) also fail to find any significant effect of aid disbursements to water and sanitation on improved access to these services in a sample of 114 countries over the period 2000-2010. In contrast, Botting et al. (2010) and Wayland (2013) find that increased aid to the water and sanitation sector is associated with increased access to improved water sources in developing countries. Wayland (2013) also finds that aid to water and sanitation helps to improve health outcomes in a large sample of low, upper-middle and lower middle-income countries, over a 50 year period from 1960 to 2009. Specifically, he finds that aid to these sectors is associated with a reduction in infant and child mortality rates and an increase in life expectancy. Interestingly, aid appears to be less effective in achieving these outcomes in low-income countries, and more effective in autocratic countries. This is in direct contrast with Wilson (2011), who finds no impact of aid to the water and sanitation sector on health outcomes.

The evidence for sub-Saharan Africa is encouraging, if limited. Using household and community level data for Malawi, Wayland (2013) finds that households living in areas that received higher levels of aid were more likely to report using improved sources of water and improved sanitation facilities. Ndikumana and Pickbourn (2016) also find evidence that aid to water and sanitation in a broader sample of sub-Saharan African countries increases rural access to sources of clean drinking water and improved sanitation facilities, and that aid reduces rural-urban disparities in access to these facilities.

5.5. Aid and Gender Equality

The impact of foreign aid on gender inequality is yet another area that remains understudied, despite the significant amount of attention that gender inequality has received in the development literature and the policy debate in recent decades. Only two papers, to our knowledge, have attempted to explore empirically the impact of aid on gender inequality; neither of these focuses on sub-Saharan Africa. Using data from 13 Middle East and North Africa (MENA) countries for 2002-2010, Baliamoune-Lutz (2016) finds that aid targeted to organizations and institutions that promote women's equality is effective in increasing women's political empowerment, as measured by the proportion of seats in national parliaments held by women. For a broader sample of developing countries, Pickbourn and Ndikumana (2016) find that, although the impact of aid on overall gender inequality (as measured by the Gender Inequality Index) is largely dependent on the initial level of human development and per capita income, increased aid to the health and education sectors are effective in improving gender equality in health and education outcomes. Specifically, aid to health reduces maternal mortality rates, while aid to education reduces gender inequality in youth literacy. Clearly more work needs to be done in this area to explore the channels through which aid may or may not contribute to reducing gender inequality and increasing women's empowerment.

5.6. Aid to Agriculture and Food Security

In comparison with studies of the impact of targeted aid on socio-economic indicators of development, studies of the impact of agricultural aid on agricultural output are relatively more abundant. While there is some disagreement among researchers on whether or not food aid acts as a disincentive to food production, there is general agreement that food aid does not lead to sustained increases in agricultural output in the medium or long run (Abdulai et al., 2005; Awokuse, 2011; Tusiime et al., 2013; Yamano et al., 2005). However, there seems to be little dispute over the positive impact of aid to the agricultural sector on agricultural productivity in developing countries (Chimhowu, 2013; Kaya et al., 2008; Mosley and Suleiman, 2007; Umbadda and Elgizouli, 2013; von Braun, 2013).

The research on agricultural aid to sub-Saharan Africa has also produced consistent evidence of a positive impact of agricultural aid on particular indicators of agricultural productivity (Akpokodje and Omojimite, 2008; Alabi, 2014; Fuglie and Rada, 2013; Todo and Takahashi, 2013). Because aid to agriculture supports many different types of agricultural activities, knowing which kinds of agricultural aid have the greatest impact is crucial to enhancing the overall effectiveness of aid to the sector. Using data on aid disbursements to African countries over the 1990-2012 period, Gyimah-Brempong and Gentry (2016) analyze the separate impacts of aid for agricultural research, aid for agricultural education and training, aid for livestock development, aid for agricultural land development, and aid for the provision of agricultural inputs such as seeds, fertilizers and machinery. They find that, overall, non-food aid to the agricultural sector significantly increases agricultural output in African countries. However, while aid for research, education and training contribute to higher agricultural output, aid to support input and land development has no impact on agricultural output. The evidence, therefore, suggests that it is important to target agricultural aid to specific activities where it is most productive.

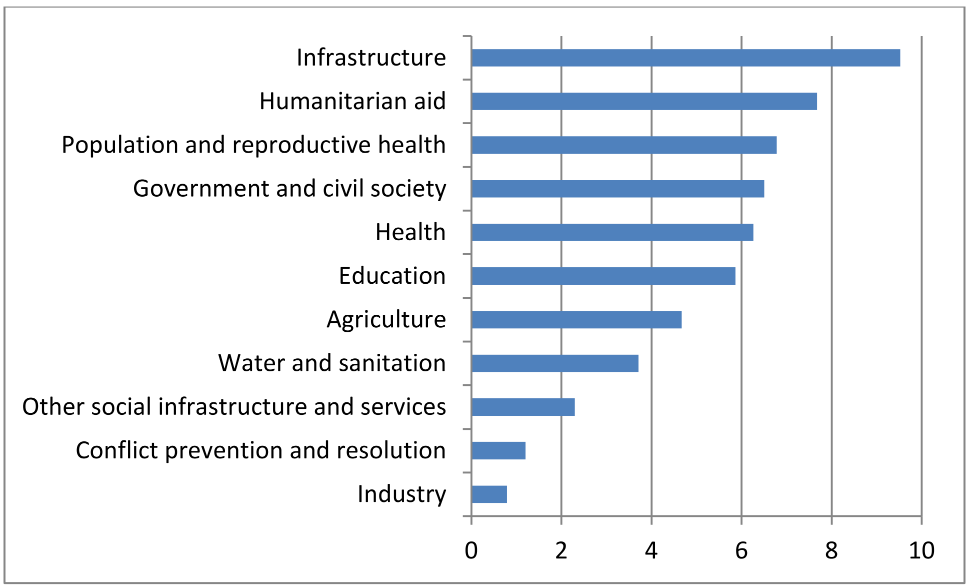
5.7. Stylized Facts about Sectoral Allocation of Aid in Sub-Saharan Africa

In the analysis presented below, we focus only on aid disbursements to 49 sub-Saharan African countries over the period 1973-2013. To facilitate comparison over time, we use real figures measured in constant 2013 US dollars.

A sectoral analysis of aid flows to sub-Saharan Africa reveals some interesting patterns in terms of the overall volume and distribution of aid among countries. Depending on whether the analysis is in per capita terms or in terms of sectoral shares of total aid, these patterns can be quite different. Moreover, the sectoral analysis of aid presented here also strengthens the case for shifting the focus from macroeconomic evaluations of aid effectiveness to microeconomic evaluations.

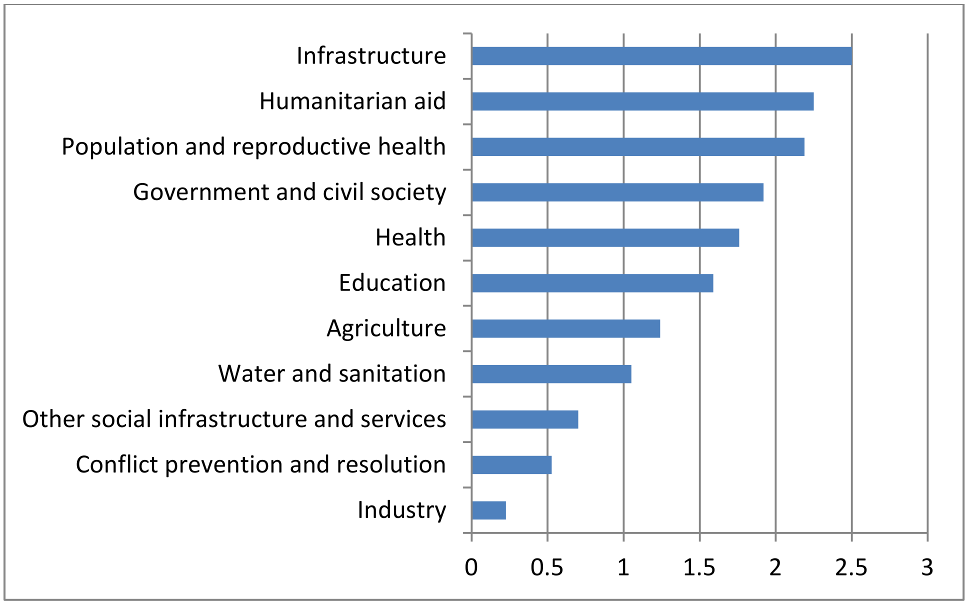
Between 1973 and 2013, infrastructure has received the greatest share of total aid to sub-Saharan Africa, while industry has received the least (Figure 4). When viewed in per capita terms, aid to all sectors appears to have kept pace with population increases over the three decades from 1981-2010; although the amount of aid per capita going to all sectors is actually quite small (Figures 5 and 6).

Figure 4: Sectoral Allocation of Aid (percentage of total aid), 1973-2013



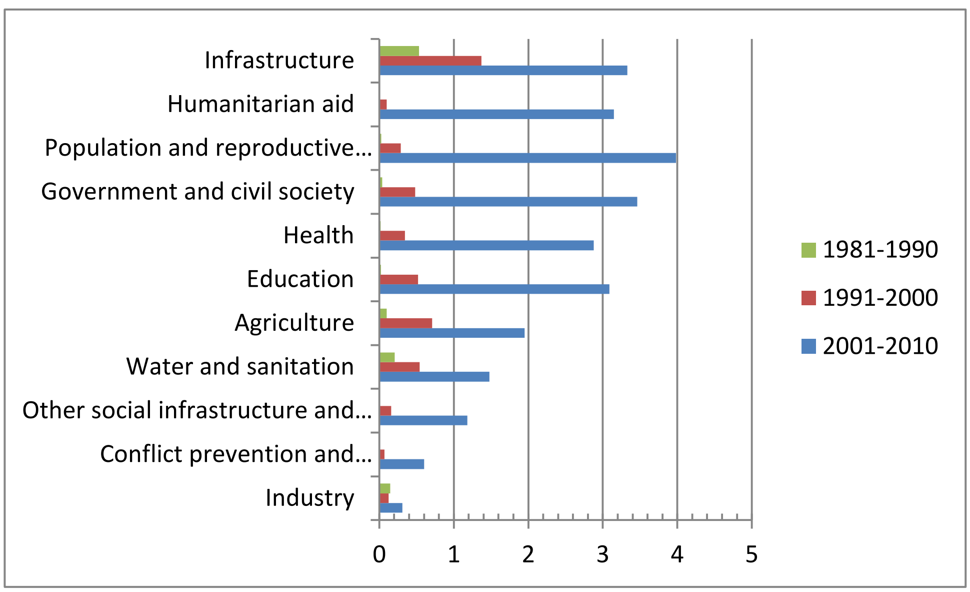
Source: Author's computation using data from OECD database

Figure 5: Sectoral Allocation of Aid Per Capita (US$), 1973-2013



Source: Author's computation using data from OECD database

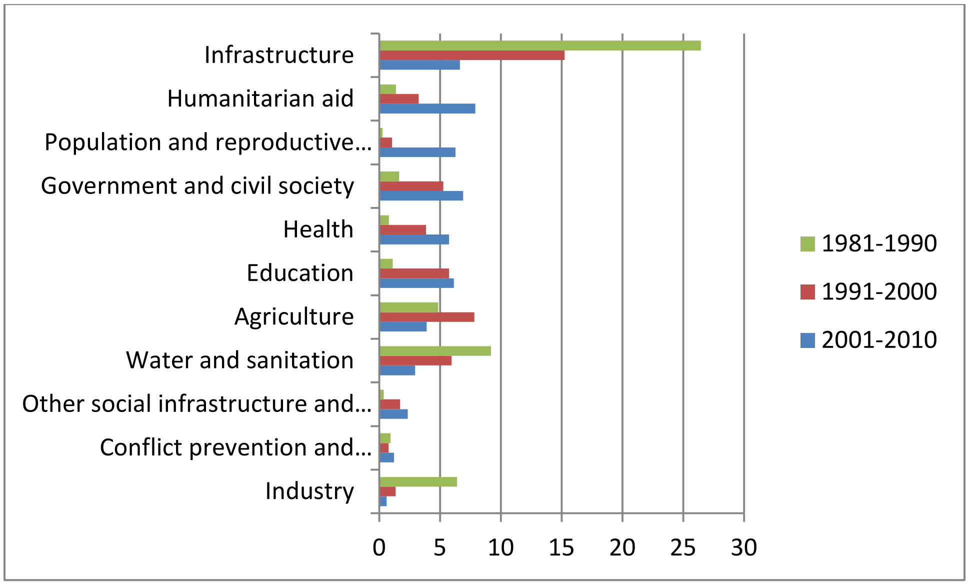
Figure 6: Sectoral Allocation of Aid Per Capita (US$), 1981-2010



Source: Author's computation using data from OECD database

However, an analysis of changes in the sectoral allocations of total aid over the same period shows a different picture: aid to key sectors such as infrastructure, agriculture, water and sanitation, and industry has declined, while aid for humanitarian purposes, population activities, civil society, health, education, other social infrastructure and post-conflict reconstruction has increased (Figure 7).

Figure 7: Sectoral Allocation of Total Aid, 1981-2010 (%)



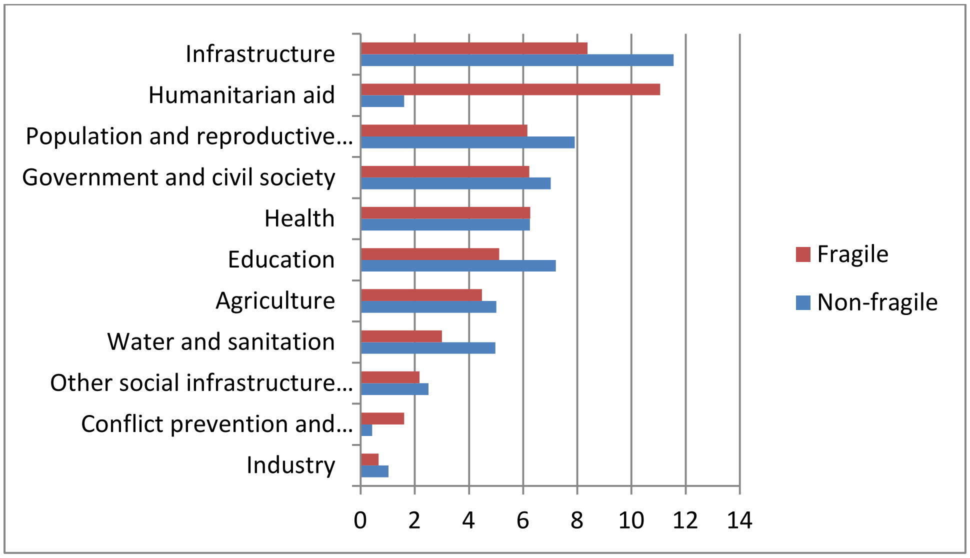
Source: Author's computation using data from OECD database

These patterns confirm the argument we are making in this paper that using aggregate outcomes such as economic growth to evaluate the effectiveness of aid is misguided, and likely to yield misleading results. Even if aid to sub-Saharan Africa has increased in aggregate terms over the past decades, as shown earlier in this paper, this increase has not been uniform across all sectors, nor has it been uniform over time. For example, industrial development is an important contributor to economic growth; yet the amount of aid to industry has steadily declined over the last three decades, and the sector has consistently received the lowest share of aid disbursements.

Although aid for infrastructure (another important contributor to economic growth) accounts for the greatest share of total aid over the entire period, this share has consistently declined over time, despite the fact that Africa faces large infrastructure financing gaps (Ndikumana, 2012). In contrast, the share of humanitarian aid has risen steadily and it accounts for the second largest component of total aid to the region. Evaluating the effectiveness of aid without accounting for these shifts (which are also likely to differ across countries) is bound to yield the types of conflicting results discussed throughout this paper.

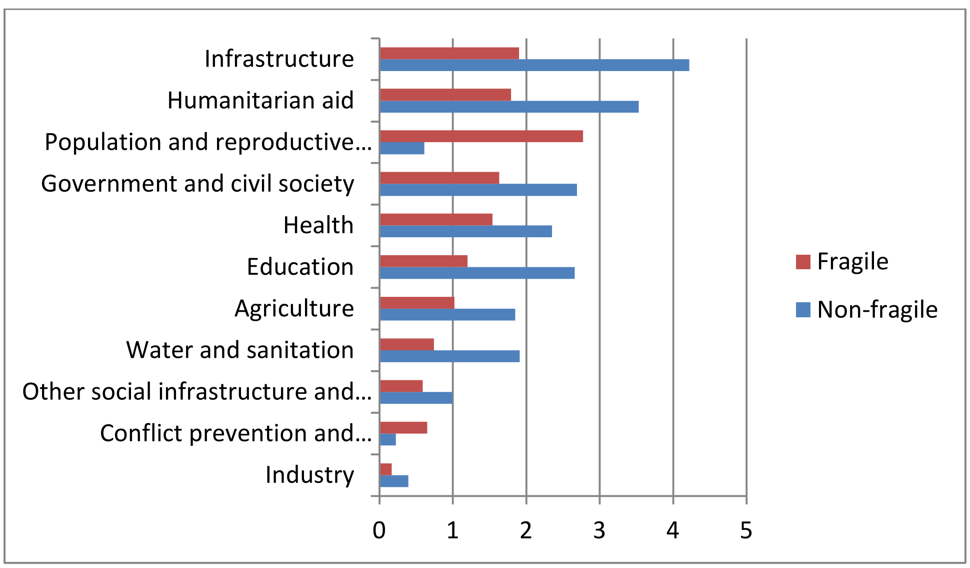
The sectoral analysis of aid by country also reveals consistent patterns in the distribution of aid among countries. For example, fragile states in sub-Saharan Africa consistently receive less aid than non-fragile states for all sectors except, as expected, humanitarian aid and aid for post-conflict reconstruction (Figures 8 and 9).

Figure 8: Sectoral Share of Aid by Fragility (percentage of total aid)



Source: Author's computation using data from OECD database

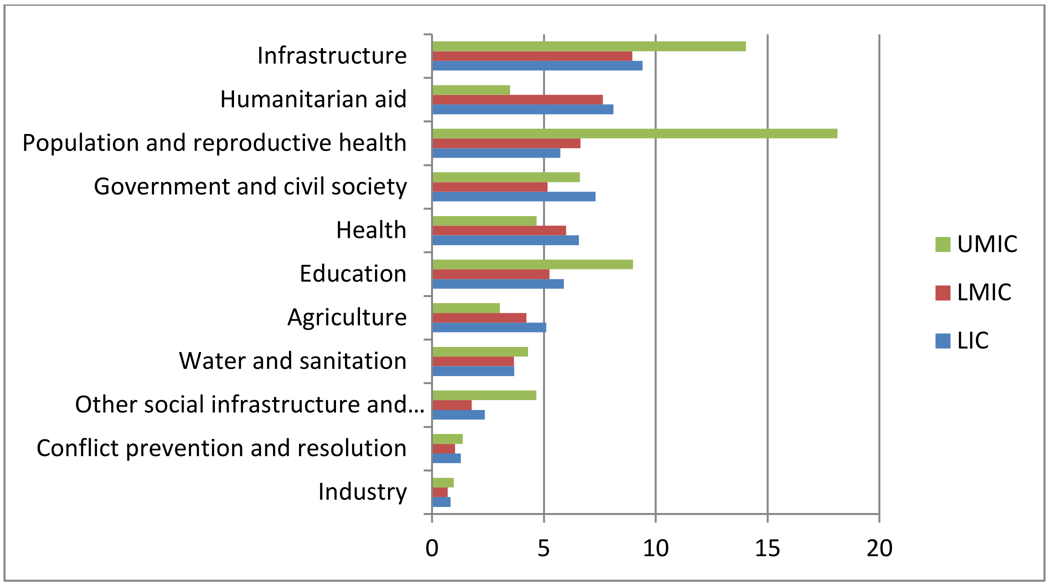
Figure 9: Sectoral allocation of aid per capita by fragility (US$)



Source: Author's computation using data from OECD database

Upper middle-income countries receive more aid (as a share of total aid disbursed to these countries as a group) for infrastructure, population, education, water and other social infrastructure than low-income and lower middle-income countries. The only categories of aid in which low-income countries are the leading recipients, are humanitarian aid, aid for civil society, health and agriculture (although they receive only marginally more than other countries in these last two sectors). However, in per capita terms, low-income countries receive at least as much aid to education, water and sanitation as upper middle-income countries (Figures 10 and 11).

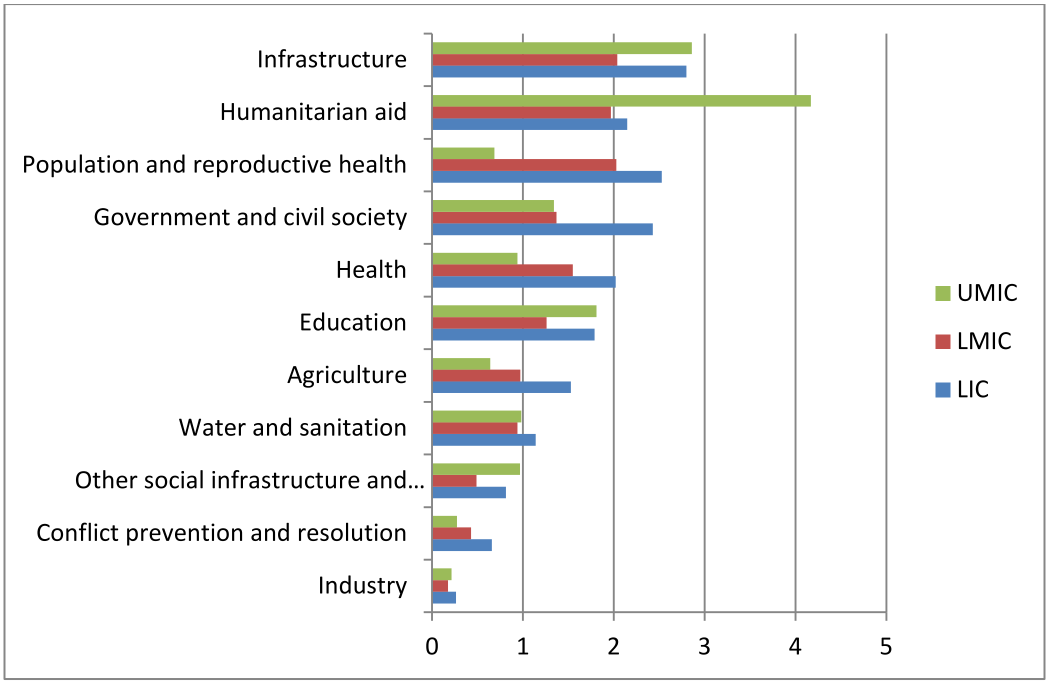
Fig 10: Sectoral Allocation of Aid by Income (percentage of total aid)



Source: Author's computation using data from OECD database.

Note: LIC = Low income countries; LMIC = Lower middle income countries; UMIC = Upper middle income countries

Figure 11: Sectoral Allocation of Aid Per Capita by Income Group (US$)



Source: Author's computation using data from OECD database

Note: LIC = Low income countries; LMIC = Lower middle income countries; UMIC = Upper middle income countries

5.8. A Final Note on Sectoral Aid Analysis and Data

In analyzing patterns of aid distribution to different sectors of the economy, it is important to make a distinction between aid commitments and disbursements. Much of the analysis of aid effectiveness in Africa has utilized the amount of aid committed by donors. However, this data is imperfect for two reasons: sector-specific data may go partly unreported, and as Table 6 shows, the actual amount of aid disbursed is far less than the amount of aid committed. Even data on disbursements is also subject to reporting problems. Because of reporting issues in recipient countries, the amounts of aid reported as received may also differ significantly from the amounts committed and disbursed. These reporting issues are compounded in aggregate aid flows, reinforcing the need to anchor the analysis of aid effectiveness at the sectoral level.

Table 1: Aid to SSA countries: Commitments and disbursements

Year	Ratio of total aid disbursed to total aid committed
1973-1980	0.08
1981-1990	0.05
1991-2000	0.3
2001-2010	1.00
2011-2013	0.98
Total	0.62

Source: Author's computation using data from OECD database

Inconsistencies between data on aid disbursements and commitments, however, are not the only issue that confronts sectoral analysis of aid effectiveness. A research agenda on aid effectiveness must take into account the experience, history and context of individual recipient countries. Currently, sectoral aid analysis has been focused primarily on cross-country studies. This approach takes the allocation of aid across sectors as given, and provides an analysis of the average performance of aid to a particular sector across countries. However, the allocation of aid across sectors in any given country reflects the development priorities of donor countries as well as those of the recipient government. It is important to examine how these priorities change over time, what drives the shifts, and what the implications are for aid effectiveness at the sectoral level.

Furthermore, this approach does not take into account the country-specific dynamics and path dependence of economic development. A truly informative assessment of aid effectiveness, even at the sectoral level, must be cognizant of the fact that countries do not begin the development process at the same point, and that the evolution of the development process in each country is shaped by history as well as by social, cultural and political institutions which differ across and within countries.

For example, a study of the impact of aid to education on gender equality in education outcomes, to be truly useful for policymaking, must take into account the specific social and cultural institutions that shape gender inequality in education outcomes in the country, and even in different regions of the same country. It must evaluate progress in these outcomes, not only by making comparisons with other countries, but also within the context of the country's own historical, social, cultural, political and institutional trajectory.

Carrying out historically-situated, context-specific analyses of aid effectiveness requires the collection of disaggregated quantitative and qualitative data by donor and recipient, not only at the country level, but also at the sectoral, program and project levels.[15] Access to such rich data can facilitate analyses of aid effectiveness that will help donors and recipient country governments understand the reasons why aid appears to work in certain contexts and not in others. This, in turn, will help to better structure development assistance to maximize results.

In the following section, we illustrate the value of undertaking historically and institutionally situated analyses of aid effectiveness. Although data constraints prevent us from undertaking the kind of sectoral analysis that we have advocated for thus far in these countries, the discussion that follows, will, we believe, highlight the usefulness of a historical and institutional perspective on aid effectiveness.

6. SELECTED COUNTRY ILLUSTRATIONS

This section discusses the linkages between policy and aid from a historical perspective, and the implications for aid effectiveness in five African countries. We compare Côte d'Ivoire and Ghana, two countries with similar backgrounds that have experienced substantially different trajectories in their post-independence period. Tanzania is featured as an example of a country that has gone through difficult regime transitions to emerge as a strong performer today. The cases of Burundi and Rwanda are used to illustrate the challenges associated with aid effectiveness in post-conflict settings.

6.1. Ghana vs. Côte d'Ivoire: Aid and Policy Reforms

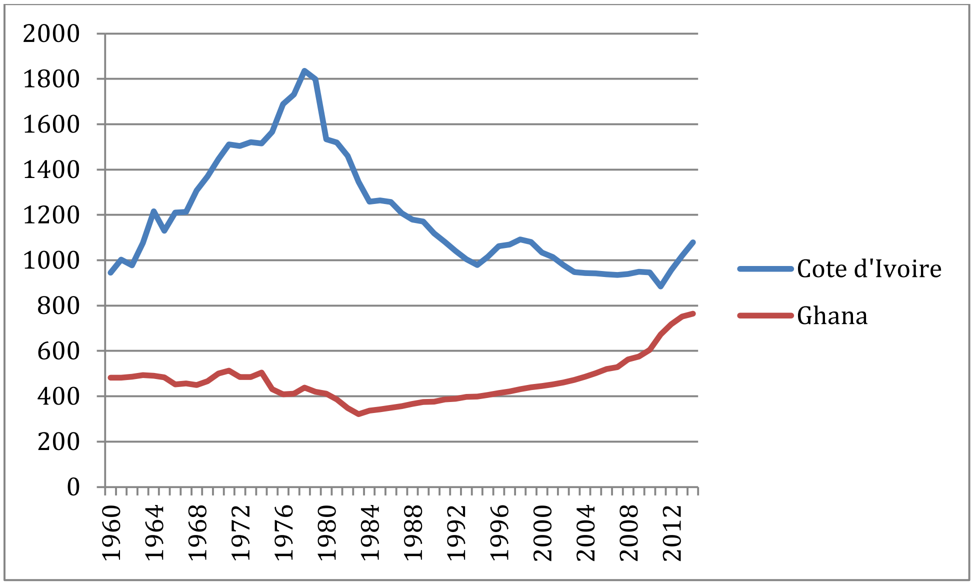
The experiences of Côte d'Ivoire and Ghana highlight the complexities of the relationship between aid and policy. The two countries share a border and have similar resource endowments; they gained independence within three years of each other, and both are major exporters of cocoa. Yet, these countries have had very different economic trajectories: between 1960 and 1980, Ghana's economy deteriorated steadily, while Côte d'Ivoire enjoyed uninterrupted growth and rising per capita incomes (Figure 12).

After the mid-1980s, however, each country saw a dramatic reversal of fortunes: sustained economic growth in Ghana between 1984 and 2012 was accompanied by poverty reduction and a decline in infant and child mortality rates. Meanwhile, starting in the late 1970s, Côte d'Ivoire

[15] Datasets such as those compiled by AidData (http://aiddata.org/about-our-data-products) go in that direction. An important contribution by AidData is to gather data on aid (aggregate and project level) from underreported sources e.g. China, as well as private foundations. They source from different places - OECD, donors and recipients.

underwent a prolonged period of economic stagnation and decline, which was exacerbated by the civil war of 2002-2003 and political turmoil that lasted until 2011 (Eberhardt and Teal, 2010).

Figure 12: Trend of GDP per capita in Côte d'Ivoire and Ghana (constant 2005 US$)



Source: World Development Indicators

Since 2012, Ghana's economy has again taken a turn for the worse, with growth down from 8 percent in 2012 to 3.5 percent in 2015, rapid inflation, and depreciation of the national currency by 60 percent between 2013 and 2015. Meanwhile, after shrinking by nearly 5 percent in 2011, the Ivorian economy grew by an impressive 8.5 percent in 2012, a recovery helped by a US$ 615 million Extended Credit Facility from the IMF and an infusion of cash equivalent to 1 percent of GDP from France.

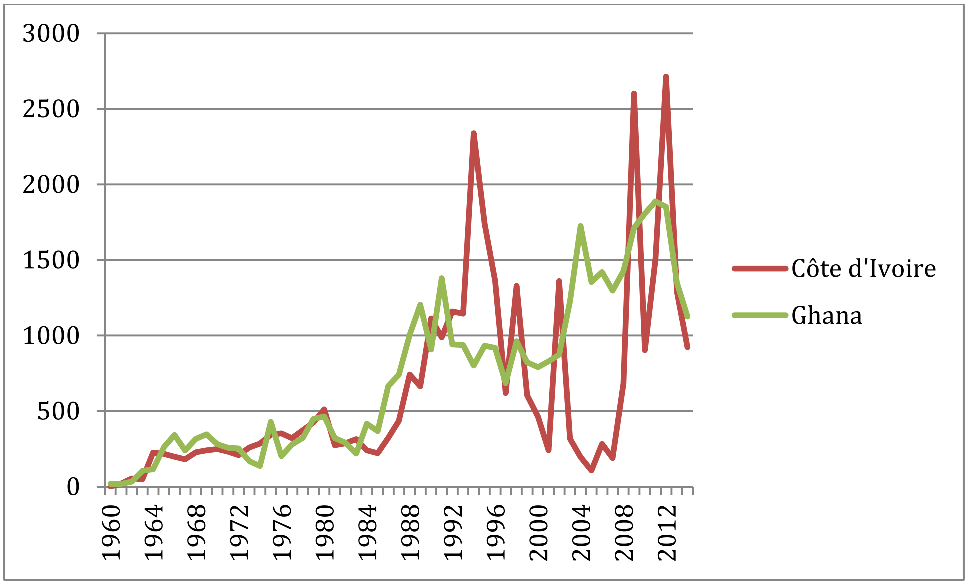
Not surprisingly, this divergence in economic outcomes has given rise to comparisons of aid effectiveness in the two countries. In a widely cited study, Stryker and Tuluy (1989) contend that the major determinant of aid effectiveness is the quality of the policy environment – in other words, the extent to which macroeconomic, trade and exchange rate policies are conducive to long-term development. In this regard, they argue, aid projects in Ghana's agricultural sector in the 1970s were undermined by macroeconomic distortions resulting from rapid inflation, an overvalued currency and other price distortions. High inflation made it difficult to maintain the real value of producer prices for cocoa, while the exchange rate policy favored capital-intensive mechanized production techniques that did not benefit small-scale agriculture.

In comparison, project and program aid to Côte d'Ivoire was much more effective during the 1960s and early 1970s, because domestic prices were not as severely distorted. This argument is revisited by Killick (1991, p. 33), who argues that policies that reduce economic efficiency and long-term development are best understood as "products of social, political and institutional forces which themselves are formidable obstacles to aid-effectiveness". Presumably, then, according to this argument, the differences in the economic outcomes of these two countries, and by implication, differences in the effectiveness of aid, must be due to significant differences in the policies adopted by these countries.

Yet, an examination of the history of economic development of the two countries reveals that, while there may have been some differences in the economic policies pursued by these two countries in the years following independence, in many other respects, there were substantial similarities in their economic development strategies. Furthermore, both countries have undertaken very similar market-based policy reforms since the 1980s. Indeed, the differences in economic and social outcomes in Ghana and Côte d'Ivoire appear to have resulted, not so much from differences in the policies *per se*, as from the complex interactions between policy and the external economic environment; differences in the relations that each country had with its former colonizer and with other powerful interests in the global economy; differences in the timing of policy shifts and aid inflows; as well as differences in political stability that each enjoyed. Furthermore, other factors to do with the administration and management of aid inflows further complicate the relationship between aid effectiveness and economic policy in the two countries.

Figure 13 presents trends in aid flows to the two countries over the 1960-2012 period. It is worth noting that although aid flows to both countries were low, they appear to track each other fairly closely, until the 1980s. A closer look at the connections between aid flows, policy shifts and economic outcomes in these two countries over this period may help to shed light on the connection between aid and macroeconomic policy.

Figure 13: ODA Flows to Côte d'Ivoire and Ghana (millions, constant 2014 US$)



Source: OECD database

Ghana: The Pre-Reform Years (1957-1983)

During the pre-reform years, growth was stunted by a combination of external shocks, political instability, and frequent shifts in economic policy under a series of short-lived military and civilian governments. At independence, Ghana had one of the highest per capita incomes on the continent, with a growth rate that averaged 4 percent in the 1960s. The development strategy encapsulated in the Seven Year Development Plan of 1963/6-69/70 was based on import-competing industrialization and capital-intensive, state managed agricultural development, to be financed with taxes on cocoa export earnings. This plan, which reflected the socialist ideological orientation of the government, stimulated few inflows of aid from Western donors, a result of donor preferences dictated by geopolitical and ideological interests (Ernest Aryeetey and Aidan Cox, 1997).

Between 1959 and 1965, the world market price of cocoa fell sharply, ushering in a prolonged period of macroeconomic instability (Stryker and Tuluy, 1989; Tsikata, 2001). The country's external debt ballooned and debt service obligations rose to 25 percent of exports (Stryker and Tuluy, 1989). The producer price of cocoa was cut, and cocoa production began a steady decline that lasted for about 20 years (Stryker and Tuluy, 1989). Following a military coup in 1966, the country embarked on a series of market-based reforms under a standby arrangement with the IMF. Improvements in the terms of trade helped to put the economy back on track, until 1971, when another fall in the world price of cocoa led to further economic decline. Another coup in 1971 saw a reversal to the economic policies of the early 1960s. Despite these ‘bad’ policies, favorable terms of trade sustained good economic performance until 1974. The period of 1974-81 was marked by descent into political and economic chaos, with five regime changes, four of them after 1978.

Côte d’Ivoire: The Boom Years (1960-1979)

In marked contrast to Ghana, Côte d’Ivoire enjoyed high rates of GDP growth supported by favorable terms of trade, high public investment financed by high export earnings, political stability, and membership in the West African Economic and Monetary Union, which allowed the country to wait out temporary Balance of Payments disequilibria and also imposed built-in monetary discipline, helping to keep inflation low. Unlike that of Ghana, the country’s development strategy was predicated on government support of small-holder agriculture and export development, the encouragement of private foreign investment and the maintenance of close links with France.

In both countries, however, the role of the state in promoting industrial development was seen as paramount. In comparison with Ghana, Côte d’Ivoire’s exports were relatively more diversified – with cocoa, coffee, timber and cotton constituting its major exports at independence. Record prices for cocoa and coffee in 1976-77 helped to finance growing public investment and the country’s share of world cocoa output rose, while Ghana’s share declined. Stryker and Tuluy (1989) note that a critical element in Côte d’Ivoire’s success during this period was the establishment of long-term development planning based on the setting of production targets for key sectors of the economy, which was incorporated into the annual development budget and funded by earmarked receipts from taxes, customs duties, loans and surpluses from the state’s operating budget, as well as significant inflows of aid from France and other Western donors to support agricultural diversification and infrastructure development (Stryker and Tuluy, 1989).

Ghana and Côte d’Ivoire: Deteriorating Terms of Trade and Economic Decline (1978-1980)

Despite this initial divergence in their economic trajectories, the end of the 1970s and the first few years of the 1980s saw deterioration in the economic performance of both countries. After 1967 foreign assistance to Côte d’Ivoire increasingly took the form of hard loans instead of concessionary loans, as a result of its increased creditworthiness and the perception by donors that it no longer needed concessionary loans. Between 1978 and 1980, as a result of falling prices for cocoa and coffee, rising global interest rates and the 1979 oil shock, Côte d’Ivoire’s current account and budget deficits widened, public investment fell, and the debt service ratio increased from 6.7 percent in 1970, to 23 percent in 1980.

In Ghana, meanwhile, the economic decline that had begun in 1974 continued and worsened, and by 1981, the black market exchange rate was ten times the official rate, the annualized increase in the money supply was 261 percent, and inflation 77 percent (Stryker and Tuluy, 1989; Tsikata, 2001). By this time, however, Ghana was again receiving a substantial amount of foreign assistance, although the majority of this was in the form of development loans. More crucially, debt rescheduling reduced debt service to only about 3-4 percent of exports.

Ghana: Reform and Fragile Growth (1983-2012)

In 1983, the new government – the Provisional National Defence Council (PNDC) – embarked on a three-year Economic Recovery Program (ERP), supported by World Bank loans and standby arrangements with the IMF. The ERP, which was primarily focused on stabilizing the economy, was followed in 1986-1991 by a Structural Adjustment Program that focused on more deep-seated structural issues. Economic reform was initially successful, resulting in high growth (5%), a decline in inflation and an increase in foreign reserves. The period saw a massive inflow of aid, peaking in 1991 at almost US$ 730 million (in 1995 prices), compared to less than US$ 200 million in the period up to 1986 (Osei et al., 2005).

After the initial successes of the economic reforms, however, the economy deteriorated, with a decline in private investment, rising inflation, currency depreciation, high fiscal deficits and Balance of Payments problems. Fortunately, 2000 brought a commodity boom, and growth began to pick up again in the early 2000s, reaching 8 percent after 2006. The start of oil production in 2010 led to impressive growth in 2011. The poverty rate fell by more than half between 1991 and 2012, while infant and under-five mortality declined substantially. Over the same period, there was considerable improvement in educational attainment, and access to basic household services increased (Molini and Paci, 2015).

Côte d’Ivoire: Reform and Decline (1980-2002)

The 1980s and 1990s saw a dramatic reversal in the fortunes of Côte d’Ivoire. Unable to keep up with its debt service commitments, the government was compelled to request assistance from the World Bank and the IMF in the form of a series of stabilization and adjustment loans over the period 1981-1986 (Berg et al., 2001; Stryker and Tuluy, 1989). GDP, consumption and investment peaked in 1979, fell sharply over the year, then recovered and began to climb between 1981 and 1986, but at a slower rate than in the 1960s and early 1970s.

According to Stryker and Tuluy (1989), this is when the structural imbalances of the Ivorian economy became apparent: a system of industrial incentives that protected domestic industry but that was harmful for industrial exports; over-dependence on foreign capital and expertise; and an overvalued exchange rate. Yet, at this point, other than a growing emphasis on regional development and food crop production, there had been no significant change in policy regime – the same policies that had contributed to growth in the boom years were still in place. However, within the context of deteriorating terms of trade and rising debt service commitments, the policies that had served Côte d'Ivoire so well before, and which had therefore met with the glowing approval of donors and international capital markets over the previous 20 years, were now seen as hampering the country's development.

Ironically, this was also a period of reform supported by substantial foreign assistance. Between 1981 and 1986, Côte d'Ivoire became the World Bank's largest adjustment loan recipient, with more than a third of World Bank adjustment loans to Africa (Berg et al., 2001). The market-based reforms undertaken in Côte d'Ivoire during this period were strikingly similar to those in Ghana. After a short-lived recovery in the early 1980s, a falling dollar, and declining prices for cocoa and coffee led to further Balance of Payments problems starting in 1985, and the country struggled to avoid bankruptcy. Crucially, the World Bank withheld its support from the country during this period, and in 1988-89, producer prices of cocoa and coffee were cut for the first time. The early 1990s were dominated by financial crisis caused by external shocks, and in 1990-93, the government once again returned to selective trade liberalization, implemented with the assistance of four adjustment loans (Berg et al., 2001).

The issue of devaluation – a long-standing bone of contention between the Bretton Woods Institutions, on the one hand, and France and Côte d'Ivoire, on the other – was finally settled with the devaluation of the Central African (CFA) franc by 50 percent in 1994, along with measures to control inflation. Annual aid inflows increased to US$ 1.7 million, more than twice the pre-devaluation levels (Berg et al., 2001). The devaluation, together with the inflow of aid, appeared to trigger gains in competitiveness and four years of rising per capita income along with modest gains in poverty reduction. Subsequent reforms were similar to those undertaken in Ghana in the 1980s: measures to eliminate the deficit, financial sector reform, trade liberalization, privatization and sectoral reforms in agriculture, industry and housing.

The improvements in economic performance that followed the devaluation did not last long: in 1999-2000, the Ivorian economy was hit by yet another large terms-of-trade shock and political turmoil. Falling per capita incomes and rising poverty were accompanied by deterioration in all the key indicators of human development. Pressure from donors led to the country's first presidential election in 1990. Existing ethnic divisions were exacerbated by political opponents and by 2002 the country was engulfed in a civil war.

Aid Effectiveness and the Policy Environment

With regard to the argument about the impact of the policy environment on the effectiveness of aid, the above discussion serves to highlight the fact that, although there were some important differences between Côte d'Ivoire and Ghana in terms of their development policies, in other respects, the difference in economic outcomes between the two countries (and hence any differences in aid effectiveness) were less the result of differences in policy regimes, than they were the result of external shocks to the terms of trade and the capacity of the economy to withstand those shocks – a capacity that in the case of Côte d'Ivoire was reinforced by its relationship with France and the amount of financial and non-financial support that it received during this period.

For example, Stryker and Tuluy (1989) see Ghana's commitment to a fixed exchange rate in the years immediately following independence in 1957 as an important source of the macroeconomic distortions of the 1960s and 1970s. But Côte d'Ivoire, as a member of the West African Economic and Monetary Union (WAEMU), was also committed to maintaining a fixed rate of exchange between the French franc and its currency, the CFA franc; and unlike Ghana, which undertook two major devaluations in 1967 and 1971, a nominal devaluation of the CFA did not occur until 1994.

Of course there was a crucial difference: the monetary cooperation agreement with France permitted CFA zone countries to withstand temporary Balance of Payments problems without being forced to abandon currency convertibility or parity (Berg et al., 2001). Furthermore, financial support from France played an important role in preventing Côte d'Ivoire from drawing down its reserves, and as Berg et al. (2001) note, in saving the country from default in the mid-1980s and in 1990-93. Participation in the WAEMU also helped Côte d'Ivoire to achieve consistently lower rates of inflation than Ghana. Ghana had no such arrangement to fall back on, and with limited financial support from external sources it was, therefore, particularly vulnerable to slumps in prices of its major export commodities.

The discussion above also highlights another important limitation of the argument that macroeconomic policy is the key determinant of aid effectiveness. This argument suggests that aid and macroeconomic policy are independent of each other. But, as we see in the case of Ghana and Côte d'Ivoire, aid (or indeed, its absence) conditions the kinds of policies and reforms that are implemented, as well as their success or failure. Aid goes to countries whose policies and governments meet the approval of donors.

Between 1960 and 1964, Ghana received US$ 68 million in net foreign aid from OECD countries and multilateral institutions. Of this amount, less than a third was in the form of grants. No doubt the perceived socialist leanings of the new government, as well as Nkrumah's faintly disguised distrust of Western governments, had much to do with Ghana's marginalization in the distribution of development aid to Africa. Tellingly, aid flows increased slightly after 1966, when the policies of the new National Liberation Council Government – the devaluation of the currency and the pursuit of more prudent fiscal policy –were viewed favorably by foreign donors (Quartey, 2005) and then fell again in 1972, after the military government unilaterally declared a default on a significant portion of the country's external debt.

In contrast, over the 1960-1964 period, Côte d'Ivoire received a total of US$ 152.4 million in foreign aid, with almost half of this in grants (Stryker and Tuluy, 1989). Aid flows to Côte d'Ivoire continued to increase through the mid-1960s to the mid-1970s to finance infrastructural development and agricultural diversification (Berg et al., 2001). These flows were no doubt driven by donors' perception that the country had a sound policy environment (which in the context of the global dominance of Keynesian macroeconomics at the time meant a more dominant role for the state in guiding economic development), and by the country's perceived openness to the West. Not only did these inflows help to support the country's rapid export-oriented growth and agricultural diversification, they also helped to insulate Côte d'Ivoire's economy from shocks to commodity prices that derailed Ghana's economic development process from its inception.

Also worth noting is the impact of the composition of aid on external indebtedness of both countries. Although aid to Ghana began to increase again in the latter half of the 1970s, it was mostly in the form of multilateral loans instead of grants, which helped to further increase the country's foreign debt – by about 150 percent between 1975 and 1980 (Quartey, 2005). In contrast, the move by donors away from concessional loans and grants to market-rate loans after 1967 in response to Côte d'Ivoire's early economic successes would later have adverse implications for its future indebtedness and Balance of Payments problems.

The interdependence of aid and policy reforms in these two countries becomes even more glaring in the 1980s. The launch of Ghana's ERP in 1983 was followed by a clear and sustained increase in aid flows to the country: between 1985 and 1996, aid flows increased threefold (Tsikata, 2001). This period also saw a shift in the composition of aid away from infrastructure, agriculture, health, education and poverty alleviation, toward policy-based program lending (Quartey, 2005). This generosity was no doubt linked to donors' perceptions that the government was committed to the kinds of market-based reforms of which they approved. Between 1990 and 1991, aid increased even more rapidly as the country received more grants to support institution-building for a return to multi-party democracy and elections in 1992. When, however, after the election, the budget deficit grew as a result of an increase in public sector wages, to which the donor community had been opposed, the World Bank suspended its disbursements for 1992-1993, and other donors followed suit in withholding their aid to the country (Tsikata, 2001). Clearly, in addition to providing aid to finance specific policy reforms, donors also used aid as bargaining chip to encourage the kinds of policies they deemed to be acceptable, and discourage other kinds of policies that were deemed to be unacceptable. That this was the case is borne out by the increasing use of donor conditionality, whereby continued disbursements of aid were predicated on the adoption of specific macroeconomic and sectoral reforms (Quartey, 2005). In fact, in the case of Ghana, aid appears to have encouraged, facilitated and sustained reform in the 1980s and beyond (E. Aryeetey and A. Cox, 1997).

Of course, as the discussion above also shows, these reforms are not always in the long-term developmental interests of the country. Often, they are focused on short-term stabilization goals, without consideration for long-term structural change. At other times, inconsistencies in the policies encouraged by donors actually work against the achievement of long-term structural change, as in the case of the conflict between tight credit policies aimed at achieving monetary policy targets and the need to increase private sector investment in Ghana (E. Aryeetey and A. Cox, 1997).

In Côte d'Ivoire too, we see a connection between aid flows and the adoption, success or failure of policy reforms. Aid to Côte d'Ivoire began to rise in 1988-89, averaging US$ 800 million annually between 1990 and 1993 when the country returned to trade liberalization. The composition of aid shifted after 1990, with adjustment lending accounting for almost half of total aid. Project lending declined and shifted mostly toward projects in support of policy reform – market liberalization and institutional or capacity development. Overall, as Berg et al. (2001) note, by generating a sense of urgency about the need for reform, crafting key reform proposals, and conditioning their aid on local support for these proposals, aid donors to Côte d'Ivoire played the lead role in pushing for policy change.

Crucially, though, after having failed to get French and Ivorian governments to support a devaluation of the CFA franc, the Bretton Woods Institutions decided to suspend adjustment lending in 1993 – a decision that ultimately pushed France to shift its position on the devaluation of the CFA franc. In the two years after the devaluation, aid to Côte d'Ivoire rose dramatically, reaching a peak of almost US$ 1.8 billion in 1994, falling rapidly in the second half of the 1990s to about US$ 500 million in 1997; the result, apparently, of 'donor fatigue'. This decline in aid, coming just before falling commodity prices in 1999-2000, likely helped to ensure that the modest progress made by Côte d'Ivoire in the immediate post-devaluation period would be derailed. The timing of aid flows, as well as decisions by donors to withhold disbursements, can have important implications for the success or failure of policy reforms, especially in the presence of external shocks, which can derail the best thought-out reform strategies

In addition to the interdependence of aid and the policy environment in Ghana and Côte d'Ivoire, other factors further complicate the aid-policy nexus in these two countries. For one thing, the mode of aid delivery can be important in determining its long-term effectiveness, particularly as regards the creation of institutional capacity. In the case of Côte d'Ivoire, non-financial aid in the form of technical assistance from France in education, health, social development, infrastructure and scientific research played an important role in its boom years.

However, the dominance of French nationals in all the top advisor positions meant that there were almost no Ivorian technical advisors in key sectors of the economy until the 1980s (E. Aryeetey and A. Cox, 1997). It also meant, in effect, that while French technical assistance could take the credit for the country's strong economic performance and public administration in its early years, there was very little knowledge transfer to indigenous Ivorians. More importantly, as Berg et al. (2001) note, French technical assistance must bear the responsibility for the policy failures of the period that would become evident only later: failure to build domestic capacity in the local population, reliance on approaches and institutions that could only be sustained with continued importation of manpower, and adoption of inappropriate policies in key sectors like education and health (Riddell, 1987).

In Ghana, E. Aryeetey and A. Cox (1997) note that aid inflows during the reform years did not contribute to the creation of broad institutional capacity, as major planning activities were carried out by a few key individuals in government, and donors' investments in building capacity for aid management resulted in the creation of what they describe as 'tiny centers of excellence' in the public sector (p.84).

Political stability is another confounding factor in the relationship between aid effectiveness and the policy environment. The conventional wisdom is that there is a straightforward correspondence between economic and political liberalization, and that both are necessarily good for the long-term development of a nation. Yet, the contrasting experiences of Côte d'Ivoire and Ghana suggest that this is an over-simplification. Political stability in Côte d'Ivoire during the boom years was preserved through the autocratic regime of the country's first president, who tolerated no political dissent for almost the entire 40 years of his rule. As Berg et al. argue, this stability built trust and confidence that was conducive to domestic and foreign investment. Political continuity also facilitated the uninterrupted implementation of policies that were favorable to agriculture and other productive activity during the country's boom years. In Ghana, the situation was the opposite: frequent changes in government lent little credibility or continuity to economic policy, until the 1980s, when the equally autocratic military regime successfully ushered in a prolonged period of economic reform with little consultation with other stakeholders and interest groups.

The situation in both countries was sharply reversed in the 1990s, with the move to donor-supported multi-party democracy. As several authors have noted, this shift has complicated policymaking in both countries and shortened the horizon for policymaking, which now coincides with the four-year election cycle (Tsikata, 2001; Whitfield, 2010). In Ghana, for example, the shift to multi-party politics has shifted government priorities away from economic reform toward the political imperative of remaining in power, and public expenditure flows now appear to be driven by political expediency, predictably rising during the months preceding an election, but reflecting no particular commitment to policies aimed at achieving long-term structural change (Whitfield, 2010).

The final set of complexities in the aid-policy relationship arises from problems related to the institutional framework for aid management. In Ghana, the absence of coordination and communication among donors, sectoral project management units and the central agency for negotiating, coordinating and monitoring ODA flows, often leads to a duplication of projects and inefficiencies in the allocation and use of aid, the implementation of projects that are not optimal within the context of a broad national development strategy and requirements for counterpart funding that the government can ill-afford (E. Aryeetey and A. Cox, 1997).

6.2. Tanzania: Aid and Policy Regimes

In a recent detailed review of Tanzania's post-independence development experience, Sebastian Edwards (2014) posed the question of whether Tanzania is a "success story". In recent years, the international community has branded Tanzania as an exemplary performer, and the Tanzanian Government has endorsed this view as the 'official position' on the country's economic performance. Indeed, looking at the past two decades, since the mid-1990s, the country's macroeconomic indicators point to undeniable improvements in economic performance: GDP per capita increased by 83 percent between 1995 and 2014; macroeconomic stability has improved as illustrated by, among others, low and stable inflation, and a stable and competitive exchange rate.

In the context of this paper, however, Sebastian Edward's second question is more pertinent: "can aid agencies – both multilateral and bilateral – claim to have played a role in this success?" (Edwards, 2012, p. 43). This question is especially relevant given that Tanzania has historically been among the leading recipients of official development aid in Africa. As can be seen in Table 2, Tanzania received the second highest share of cumulative aid to the continent in the period 1960-2014 after Egypt (5.1% and 10.7%, respectively). Aid inflows have particularly increased over the past two decades since the mid-1990s – as can be seen in Figure 14. Between 1995 and 2014, official development aid increased by 111 percent, from US$ 1.25 billion to US$ 2.64 billion, and by 22 percent in per capita terms (from US$ 41.8 to US$ 51.0). Today the country enjoys remarkably constructive and cordial relationships with its donors who appreciate the clear economic development vision pursued by the government. So, one may be tempted to conclude that aid has played a positive role in the improved economic performance over the past decades.[16] Donors were the first off the block to declare a 'success story' and take credit for it. Does the evidence support this claim?

The analysis from a historical perspective carries useful lessons with regard to the role of aid and the donor community in Tanzania's economic performance over time. Such an analysis can shed light on aid effectiveness, especially with regard to the importance of policy conditionality, ownership and aid coordination. Indeed, the review of aid inflows reveals a close relationship between aid disbursements and donor attitude, on the one hand, and policy regime shifts, on the other hand. As is the case for other African countries, the bulk of aid has come from traditional bilateral donors. Until the mid-1970s aid from multilateral donors accounted for a small share of annual aid inflows. The Nordic countries provided the majority of bilateral aid until the turn of the century, when the United States assumed a dominant role as the leading bilateral donor (see Table 7, Appendix).

The analysis of the data shows a number of distinct phases in the trend of aid inflows that correspond to historical landmarks in the country's policy regimes. We highlight the six phases identified by Edwards (2012). Other authors place the time markers slightly differently, but the overall chronological picture remains similar. These phases and the corresponding annual flows of official development aid are presented in Table 7. The first phase is the pre-socialist period, which was marked by relatively low levels of aid. But in this period the country, nonetheless, recorded strong growth rates (Figure 14).

The second phase covers the early years of the socialist experiment, which was launched with the Arusha Declaration in 1967. During this period, aid inflows increased dramatically, from an average of US$ 225 million per annum in the first phase to US$ 735 million. The period was marked by cordial relations with a donor community literally "falling in love with Nyerere's program" (Edwards, 2012, p. 10). The admiration for Nyerere's socialist strategy was shared by both bilateral donors and multilateral donors as echoed in the reports by their respective experts (Edwards, 2012, p. 20). Swedish academic Goran Hydén called Tanzania the "shining star" of Africa.[17] A World Bank Country Program Note praised Tanzania as a "model development country" where "development policies and priorities are generally well thought and well-conceived", earning the country "an excellent performance rating".[18] This support was consistent with the planning approach to economic development that was predominant in the

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[16] A substantial number of studies have investigated the role of aid for economic performance in Tanzania. These include Bigsten et al. (2001), Harrison et al. (2009), and Holtom (2005), to name just a few. See Edwards (2014) for more references on the topic.
[17] Quoted from Simensen (2010)
[18] Quoted from World Bank (1968)

1960s and 1970s.[19] But the aid-fueled growth was quite inconsistent with the key principle of Tanzanian socialism of self-reliance. According to Nyerere, relying on foreign aid restricts development options. The Arusha Declaration stated: "It is stupid to rely on money as the major instrument of development (…) It is equally stupid, indeed it is even more stupid, for us to imagine that we shall rid ourselves of our poverty through foreign assistance rather than our own financial resources."[20] Nonetheless, the Nyerere regime benefited from substantial support in the form of ODA, without which the socialist program would have been difficult, if not impossible, to implement.

Phase III (1981-85) of aid to Tanzania, illustrates vividly the dilemma of policy ownership. As the donors' admiration for Nyerere's socialist policies waned, they vigorously pushed for market reforms. But this was met by strong opposition from the Nyerere government. The antagonism culminated with the expulsion of the IMF mission from the country. As a result of this fight between the government and donors, annual inflows of aid declined drastically, from US$ 1.6 billion in 1980 to US$ 902 in 1985. The period illustrates how donors are willing and able to use aid to force policy reforms, withholding disbursements when the recipient government does not cooperate.

Phase IV (1986-1991) saw a regime change, with President Mwinyi taking office as Nyerere decided not to run for reelection in 1985. In 1986, following the signing of an IMF assistance agreement with the new government, "the wheels of the aid machinery began to spin once again" (Edwards, 2012, p. 33). This episode reveals the oddities of 'donor coordination' and aid conditionality: As the IMF regained control over the country's policy, other donors turned the aid tap on again, led by the World Bank, which approved a US$ 300 million multisector rehabilitation credit. The era also marked a change in approach to aid delivery. In the 1960s through the early socialist era, donors, especially bilateral donors, channeled aid mostly through large projects, notably in infrastructure. From the mid-1980s, aid was concentrated on Balance of Payments support to deal with macroeconomic imbalances, and multisector programs.

During phase V (1991-95), the market-oriented reforms stalled again, creating a serious impasse in donor-government relations. Aid inflows declined from US$ 1.7 billion in 1991 to US$ 1.2 billion in 1995. The resistance to reforms was led by Nyerere, who remained head of

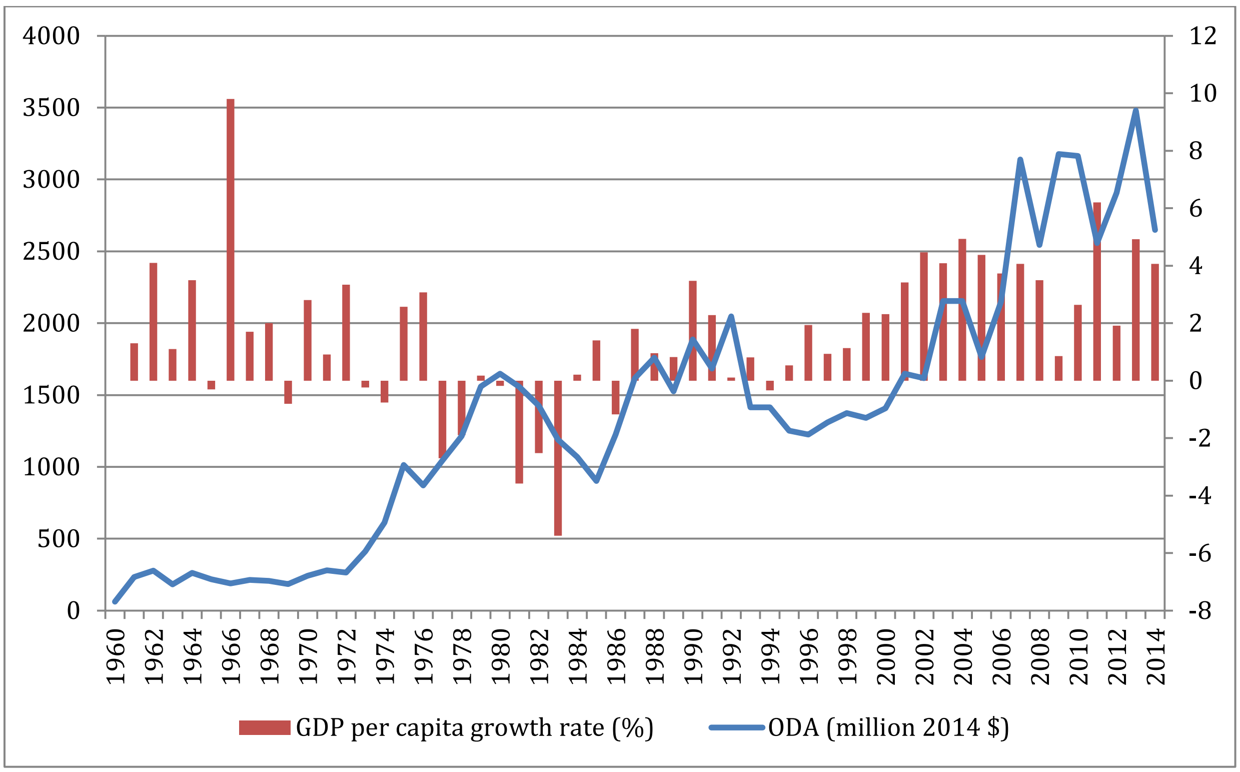
[19] The views drew from the Harrod-Domar and Arthur Lewis models of development founded on capital accumulation and abundant labor to fuel industrialization. These formed part of the intellectual foundation of the socialist development strategy.

[20] Part III of the Arusha Declaration "The Policy of Self-Reliance". An English version of the Arusha Declaration is available online at: https://www.marxists.org/subject/africa/nyerere/1967/arusha-declaration.htm.

the ruling party, and members of the new government who espoused Nyerere's views, including the Minister of Finance, Kighoma Malima.

Phase VI (1996-today) saw the resolution of the donor-government impasse by the adoption of the 1995 report by the Gerry Helleiner Commission. The report provided suggestions to address the grievances of both the government and the donors, and charted a way forward to strengthen economic reforms. With the adoption of the Tanzanian National Development Vision 2025, the country was set firmly on a course of reform consolidation and growth acceleration, paving the way for solid reengagement of the donor community, illustrated by a rapid increase in aid inflows.

Figure 14: ODA and GDP Per Capita Growth in Tanzania



Source: ODA from OECD database; GDP per capita growth calculated using per capita GDP (constant 2005 $) from UNCTAD database. The growth rates for 1961-1970 were obtained from Edwards (2012) as GDP per capita data are not available in UNCTAD database for that period.[21]

The experience of Tanzania carries important lessons with regard to the complex relationships between government and donors, and the impact of these relationships on aid effectiveness.

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[21] Sebastian Edwards obtained the data from Bigsten et al. (2001).

The episodic tenuous relationships resulted primarily from the struggle for control and disagreements over national development policy between donors and the government. When the government refused to cooperate, donors reacted by withholding aid, surprisingly, in a rather coordinated fashion. But, of course, this is a different form of aid coordination – certainly not the one advocated by the Paris Declaration aimed at enhancing aid effectiveness. The Tanzanian experience also illustrates the critical role of 'trust' in facilitating the transfer of ownership from donors to the recipient government. Since the mid-1995, the Tanzanian Government has gradually established trust vis-à-vis its donors through commitment to the liberalization agenda and strong overall economic performance. Increased trust has generated higher aid inflows, enhanced policy ownership, while at the same time consolidating cordial relationships with the donors. The former have shown strong interest in crowning Tanzania a 'success story'. What is still not clear is to what extent foreign aid and effectiveness of its use have played a role in creating the economic 'success story'.

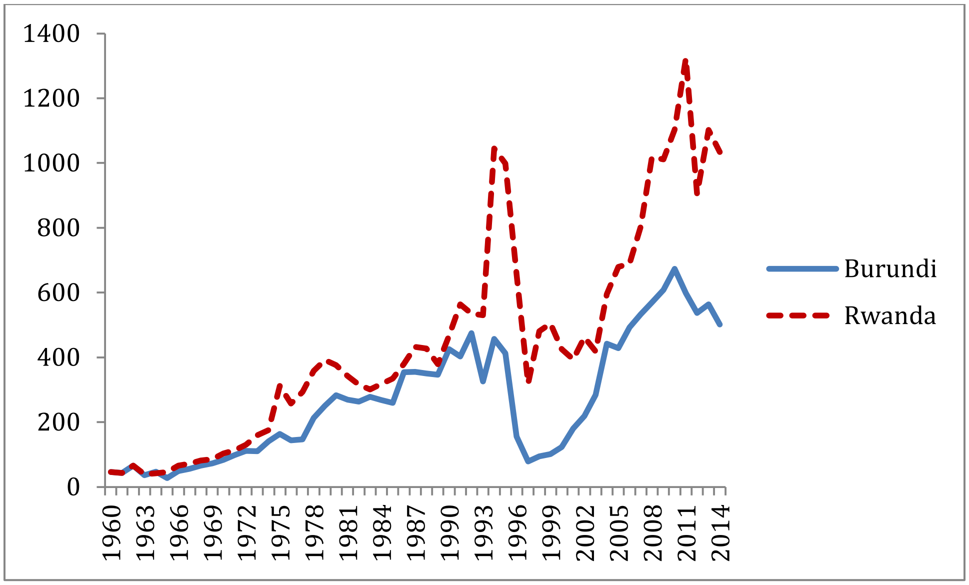
6.3. Rwanda and Burundi: Aid Effectiveness in Post-Conflict Settings

Twin Nations with Diverging Paths

Rwanda and Burundi offer two contrasting cases of donor engagement that illustrate the complexities of development cooperation and aid effectiveness. The two countries experienced devastating civil wars at the same time, but embarked on two drastically different post-conflict development trajectories. Rwanda received substantial amounts of foreign aid following the 1994 genocide; aid inflows rose sharply and steadily from 2003 to 2011 (Figure 15). By 2006, total aid had reached and exceeded the pre-genocide levels, with annual flows crossing the one billion dollar mark. Although Burundi suffered a longer and more protracted civil war, also resulting in large losses in human life and destruction of the economic base, the country received substantially less assistance from the donor community. The gap between aid inflows into the two sister nations widened sharply, starting in 2003. In 2003, Rwanda received 47 percent more aid than Burundi (US$ 418 million compared to US$ 284 million). By 2014, Rwanda received twice as much aid as Burundi (one billion dollars compared to US$ 500 million).

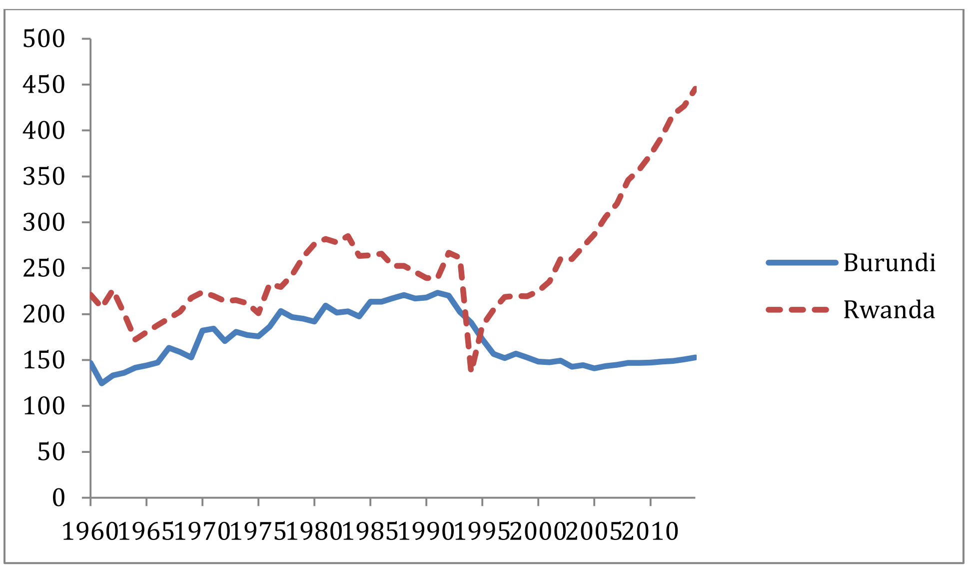
The two countries have also experienced drastically different growth paths in the post-conflict period. Rwanda recorded a sharp v-shaped recovery, while Burundi has gone through a long drawn-out recession since the end of the war (Figure 16). In 1995, Rwanda's per capita income was only 8 percent higher than that of Burundi. Ten years later, the ratio was 2 to 1, and by 2014 Rwanda's income was nearly three times higher than that of its neighbor in the south.

Figure 15: ODA Inflows to Burundi and Rwanda (million, constant 2014 US$)



Source: OECD database (OECDStat.org)

Figure 16: Trend of GDP Per Capita in Burundi and Rwanda (constant 2014 US$)



Source: World Bank, World Development Indicators (online)

From the data presented on the two countries, one may be tempted to draw an association between aid inflows and the speed and sustainability of post-conflict economic recovery. However, the growth performance in the two countries is a result of a multitude of factors, aid being only one contributing factor. In this section we focus on the implications of donor engagement for aid effectiveness, and the role of the global aid effectiveness agenda for the efficiency in the use of aid, with a focus on the case of Rwanda. The analysis is cast in the context of the global frameworks for aid effectiveness, notably the Paris Declaration. We analyze key developments in aid policy in the case of Rwanda, through the lenses of key principles of the aid effectiveness agenda as enshrined in the Paris Declaration.

Progress in Aid Effectiveness in Rwanda

One of the principles of aid effectiveness under the 2015 Paris Declaration is *mutual accountability* of recipient governments and donors. Under this principle, the Rwandan government is required to improve its administrative and policy governance, which are considered as key preconditions for effective use of development assistance. On their part, donors are required to provide predictable, flexible, and sustained (long-term) aid to support the Rwandan government's development agenda.

In practice, achieving mutual accountability is one of the most daunting tasks in aid management for donors and recipient countries. In the case of Rwanda, substantial progress has been made on this dimension of aid effectiveness, and while there is still more to be done, the situation today looks drastically different from the mid-1990s, when donors converged on the country in the wake of the 1994 genocide. In the immediate post-genocide period, donor engagement was literally chaotic, as aid poured into the country from a wide range of donors, mostly directed to emergency needs. Little aid was channeled into the government budget, despite pleas from the government (Hayman, 2009), and despite the fact that the post-genocide government actually had a clear economic development strategy designed to accelerate recovery from the war. This created frustration on the part of the Rwandan government, and even anger against the international community that had let the country down by failing to prevent the genocide in 1994. But donors were also uneasy with the political context in the late 1990s, especially with the Rwandan government's involvement in the conflict in eastern Congo. Donors were also concerned about the government's limited capacity to manage large amounts of foreign aid inflows. Thus, throughout the 1990s, and even in the early 2000s, mutual accountability in aid management remained elusive, especially with regard to predictability and consistency of aid disbursement and alignment with the Rwandan government's development strategy.

A second important principle of the Paris Declaration on aid effectiveness is *donor coordination* and *harmonization* of official development assistance practices across donors. In the early years of the post-genocide period, donor engagement with Rwanda was characterized by a remarkable lack of cohesion in donor priorities and goals. While all donors had good intentions of assisting the nation recover from the trauma of the war and rebuild its economy, and while each donor individually most likely understood the efficiency benefits associated with aid coordination, there was little evidence of any genuine attempt to make the principle of coordination a reality. The situation reflected what Whittington and Calhoun (1988) pointed out in the late 1980s: "all donors want to co-ordinate, but no-one wants to be co-ordinated'.".

Significant change started to emerge at the turn of the century, especially in the context of the adoption of the Poverty Reduction Strategy in 2002. Donor coordination further strengthened with the establishment of Sector Working Groups, which provided the framework for donor-government dialogue and planning of development assistance. Nonetheless, the 2008 survey on the monitoring of the Paris Declaration by the OECD-DAC concluded that progress was still needed along this and other key dimensions of aid effectiveness (OECD-DAC, 2008).

A third principle of the Paris Declaration on aid effectiveness is *government ownership* of the development agenda supported by aid. Under this principle recipient governments are expected to be given space to "exercise effective leadership over their development policies and strategies and co-ordinate development actions". On their part, donors are expected to "respect partner country leadership and help strengthen their capacity to exercise it."[22] In 2008, the Accra Agenda for Action reaffirmed the critical importance of government ownership for aid effectiveness, and donors committed to scale up efforts to strengthen government capacity to own the development cooperation process – notably, through channeling the majority of aid through country systems, and adopting a programmatic approach to development assistance.

Under the spirit of the Paris Declaration and the Accra Agenda of Action, ownership of the development cooperation implies a transfer of power over aid from the donors to the recipient countries. However, for this transfer to take place, donors must be willing to effectively cede control over aid (Lancaster, 1999). In practice, however, donors have been unwilling to relinquish control over aid. The resistance is partly due to a lack of trust in the recipient government's ability to use aid effectively and a lack of confidence in national systems as channels of development assistance. The donor's resistance to ceding control over aid is also partly due to pressure on the donor government to account for effective use of aid vis-à-vis their constituencies at home.

Trust is a function of technical capacity of the recipient country; it is also influenced by political factors, such as strategic and geopolitical interests. In general, donors are comfortable ceding part of the power to control aid only when they are satisfied with the development strategy adopted by the government, and even better when they feel they have a say in the design of

[22] OECD, The Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008). Available online at http://www.oecd.org/fr/cad/efficacite/34579826.pdf.

such strategy. As Hayman (2009, p. 594) puts it, “the recipient must demonstrate its commitment to a sound national development strategy which donors have approved(…) provided donors are satisfied with a strategy, they will allow the government to ‘own’ it”.

In the case of Rwanda, donors’ attitude vis-à-vis policy ownership has been critically influenced by technical and political factors over the past decades. In the early post-genocide period, government ownership was nearly completely absent, mainly because of weak technical capacity to manage aid, as well as donors’ unease with the political uncertainty facing the country. Donors faced the usual problem of transitioning from emergency assistance to development-oriented aid, even as the government energetically endeavored to establish an economic strategy for speedy recovery from the devastation of the conflict. Over time, thanks partly to the government’s demonstrated focus and determination – backed by visible results in terms of sustained high growth both at the aggregate and sectoral levels, as well as positive human development performance – donors begun to show more genuine commitment to the principle of government ownership of the development strategy and aid management. However, donors also continued to affirm their interest in consistency between aid allocation and their own preferences and priorities.

In the end, the Rwandan case illustrates “joint ownership”, although inevitably the balance of power remains in favor of the donors, as they determine the resource envelope, as well as the schedule of aid disbursements. Donors have demonstrated their ability to use aid to both advance their interests as well as voice their objection against actions by the Rwandan government that did not fit geopolitical interests or were inconsistent with certain global norms such as human rights and national sovereignty. But donors have also demonstrated a lack of consistency in their position, often resulting in sequences of suspension, freezing, and unfreezing of aid within a short time span. The donors have also demonstrated their inability to coordinate their ‘punitive’ actions against the government, resulting in inefficiency of the use of aid as an instrument for preventing or inducing a particular course of policy action by the government. The case of Rwanda illustrates the complex challenges faced by donors and the recipient government in abiding by the principle of ownership of development policy, which is an important condition for aid effectiveness.

The case of Burundi illustrates the typical case of an ‘aid orphan’. Unlike Rwanda, the country has attracted little enthusiasm from donors, despite the successful peaceful negotiation of the end of the conflict. At the institutional level, Burundi was poised to serve as a rare example on the African continent of genuine power sharing, enshrined in the Constitution and the rules governing the electoral process, the structure of government and the security apparatus.[23]

The 2000 Arusha Peace Accord provided a framework that was meant to guarantee participation in the political process by all segments of the population, regardless of ethnicity, region, religion and gender. In that sense, the framework should have given comfort to the donor community that the country was embarking on a genuine process of democratization, which is a predominant factor for 'trust' and support from the donor community. But the Burundian case also demonstrates that democracy needs to be supported by strong economic performance, especially in the aftermath of a long conflict where the public's expectations for genuine peace dividend are high. Contrary to Rwanda, economic performance has been very low in the post-conflict period. This was partly due to a lack of clarity in the national development strategy, as well as persistent conflict overhang and high uncertainty, which discourages private sector activity. However, as in the case of Rwanda, development assistance in Burundi has also been driven and constrained by both technical and political factors. Lack of technical capacity on the government side has constrained the ability of the government to use aid effectively – especially due to the inability to design and implement an effective national development strategy. Political uncertainties have further undermined the country's ability to mobilize enthusiasm among the donor community, which explains the relatively low levels of aid inflows compared to Rwanda. The relationships between the government of Burundi and its donors have soured further since the reelection of President Nkurunziza in 2015, controversially extending his tenure beyond the statutory two terms as provided by the Constitution. The fact that similar practices have occurred and are likely to occur in the region does little to appease the donor community that is concerned about the risk of backsliding in democratization in Africa. Thus, the future of aid disbursement and aid effectiveness in Burundi remains as uncertain as its political and economic prospects.

[23] The Burundian constitution provides, among, other things, for minimum representation of ethnic groups in the government, the military and the police (40% Tutsi, 60% Hutu), as well as minimum representation of women in government and Parliament. These provisions are intended to protect the political rights and security of ethnic minorities (Tutsi and Twa) and women. The provisions for regional balance are less clearly defined and therefore less enforced than the rules on ethnic and gender balance.

7. SUGGESTIONS FOR A RESEARCH AGENDA ON THE FUTURE OF AID EFFECTIVENESS IN AFRICA

In this section we outline the key elements of a research agenda on aid effectiveness in Africa. The objective is to help focus future research to fill the gaps in the literature that have been identified throughout this paper, so as to advance knowledge on aid effectiveness in Africa, and facilitate evidence-based decision making to improve the gains from development assistance in the continent.

7.1. Sectoral Level Analysis

As the evidence reviewed in this paper clearly demonstrates, analysis at the macro level through standard cross-country and time series methods has shown to be ineffective in advancing knowledge about aid effectiveness in Africa. A promising avenue for future research is analysis at the sectoral level. The literature on the impact of aid targeted to specific sectors on sector-specific outcomes is still in its infancy. Despite the fact that Africa receives a substantial share of total aid, there are few studies that focus on the sectoral impacts of aid in the region, and many questions about the sector-specific determinants of aid effectiveness remain unanswered. For example, what accounts for the observed differences in aid effectiveness across sectors as highlighted in this paper? Why does aid to agriculture appear to be effective in increasing agricultural output, while the impact of aid to health and education appears to vary across outcomes and across indicators? What are the channels through which sectoral aid works? What is the impact of increased aid to a particular sector on the efficiency of the use of domestic resources in that sector? Does increased aid to the health sector, for example, reduce or enhance the productivity of domestic health care resources?

There are other questions that are specifically related to donors and their approaches to development assistance: Is aid from some donors more effective than aid from other donors? What accounts for these differences? Does the focus on specific programs matter? For example, is aid to provide direct medical care more effective than aid to provide health education and information about disease prevention? Where is aid most effective?

Then there are issues related to the local policy and institutional context: Is aid more effective in countries that need it the most, or in countries with more effective governments and policies? Does aid improve outcomes in specific sectors through its impact on government expenditure in those sectors?

To answer these questions, research on aid effectiveness in Africa needs to focus more on analysis at the level of individual countries, sectors, programs, and subnational entities (regions and communities). Such research must incorporate systematic combination of quantitative, qualitative and political economy analysis to uncover the economic, cultural and institutional constraints to, and enablers of, aid effectiveness in African countries. A key challenge to this research agenda is the lack of disaggregated information. Thus researchers, governments and the donor community must invest heavily in gathering primary country-specific, sector-specific, and theme-specific data through case studies and field surveys. African countries constitute a fertile terrain for such a research agenda given the substantial amount of aid channeled into the continent and the immense potential for growth acceleration and improvement in living standards across the region.

7.2. Aid and State Building

According to the literature reviewed in this paper, there is a widely held belief that the returns to aid are a function of the capacity of the state to allocate and utilize external resources efficiently. However, the review also showed that there is little evidence on the linkages between state capacity and aid in the case of African countries. Is there a relationship between state capacity and aid effectiveness in Africa? How does this relationship vary across countries and how did it vary over time within countries?

State capacity is not static; it can be influenced by aid, how it is allocated and how it is utilized. Yet, there is little evidence on the extent to which aid has been utilized to strengthen state capacity in African countries and whether any efforts in that direction have been successful. Questions that will be worth exploring include: Have donors intentionally and systematically sought to use aid to improve state capacity as a means of improving aid effectiveness in Africa? If so, what share of aid has been allocated to activities and programs aimed explicitly at strengthening state capacity? How have these shares evolved over time and how do they vary across donors? Answering these and other related questions will help, not only shed light on the constraints to aid effectiveness in Africa, but also assist in designing strategies to increase the overall returns to aid in the continent through the strengthening of the capacity of the state.

7.3. Aid and Domestic Revenue Mobilization

One of the key functions of the state is to mobilize resources to finance the national development agenda. The existing evidence indicates that African countries continue to lag behind in government revenue mobilization compared to other developing regions. Moreover, resource-rich African countries have failed to capitalize on their resource endowment to mobilize tax revenue (Ndikumana and Abderrahim, 2010). Yet, effective mobilization of tax and non-tax revenue constitutes both a key instrument for building the capacity of the state and a determining factor of the policy space that the government can enjoy in designing and implementing the national development strategy. At the moment, the literature offers little evidence on the linkages between domestic resource mobilization and state capacity on the one hand, and between domestic resource mobilization and official development assistance on the other hand. Future research on aid effectiveness in Africa can help shed light on these linkages.

Specific questions to be investigated include the following: 1) To what extent have donors directed foreign aid to supporting African countries in mobilizing domestic revenue, and how successful have efforts in that direction been so far? What lessons can be drawn from country-specific experiences in this area? 2) What are the linkages between foreign aid and tax revenue in Africa? Specifically, does aid crowd-in or crowd-out tax revenue? Aid may crowd-in tax revenue if aid inflows are used to expand the production base, notably through public infrastructure and trade promotion, thus increasing taxable income and, in turn, overall revenue performance. But aid can also crowd-out tax revenue if the associated fungible resources reduce the necessity and willingness of the government to increase tax revenue mobilization, which is both more politically costly and more logistically demanding than foreign aid mobilization.

To address these questions, the standard quantitative analysis at the aggregate level needs to be complemented by research that emphasizes institutional and political economy dimensions of domestic revenue mobilization and aid management. Such research needs to pay attention to the political economy of state-private sector relationships; political drivers of tax compliance and tax evasion; political economy of revenue and expenditure sides of public finance; the determinants of revenue performance relative to the various types of taxes; the gains from the ongoing innovations in the tax systems across the continent (for example, establishment of universal tax identification numbers, electronic VAT payment systems, etc.); and the implications of the behavior of foreign entities, especially tax evasion and avoidance by the multinational corporate sector. Data on tax revenue and related indicators are notoriously scarce in African countries. Going forward, it is important for the research community, governments and donors to invest in gathering country-specific and sector-specific information on tax and non-tax revenue to advance knowledge on aid effectiveness in African countries.

7.4. Aid Effectiveness in African Fragile States and Post-Conflict Countries

Africa hosts the largest number of fragile states and post-conflict countries. A large majority of African countries that are lagging behind in social development are in this category. Moreover, managing foreign aid poses special challenges in fragile states and post-conflict countries due to the relatively higher risks and weaker institutional capacity (Ndikumana, 2016). However, despite these challenges, these are the countries that need aid the most, to support state-building, peace consolidation and post-conflict social and human development. It therefore follows that a research agenda on the future of aid effectiveness in Africa must pay attention to the case of fragile states and post-conflict countries.

The literature features a long-standing debate on effectiveness of aid in these countries. The World Bank's Task Force on low-income countries under stress (LICUS, later changed to the 'fragile states' classification) concluded that 'aid does not work well in these (fragile) environments because governments lack the capacity or the inclination to use finance effectively for poverty reduction' (World Bank, 2002, p. 1). This partly explains the observed donor bias against aid to post-conflict countries and fragile states, as illustrated in the relatively lower aid inflows into these countries – as shown in the evidence presented in this paper. But at the same time, there is a good amount of evidence, especially at the micro level, demonstrating that aid can actually work in difficult conditions such as in fragile states and post-conflict countries. According to the 2001 World Bank's internal independent evaluation report, "Bank-supported project outcome ratings in fragile and conflict-affected states do not show significantly worse ratings than in other countries" (World Bank, 2011, 20 (XX).). In fact Tony Addison argues that "while aid is generally effective in promoting growth and by implication reducing poverty, it is more effective in promoting growth in post-conflict countries" (Addison, 2004, p. 347). Clearly, there is no consensus regarding effectiveness of aid in fragile states and post-conflict countries. Africa constitutes a fertile terrain for further research on aid effectiveness in fragile states and post-conflict countries.

Research questions to be investigated in the case of fragile states and post-conflict countries include the following: 1) Has the record on aid effectiveness been significantly different between stable countries, on the one hand, and fragile states and post-conflict countries, on the other hand? 2) To what extent does aid effectiveness vary within the group of fragile states and post-conflict countries? What explains any observed differences? What factors explain why some post-conflict countries recover fast and sustainably while others do not? For example, what is the role of aid in the diverging post-conflict paths of Burundi and Rwanda? 3) What aid instruments (budget support, project aid, sector-wide aid, pooled basket funds, etc.) work best in fragile states and post-conflict countries? In particular, which instruments are best equipped to deal with the various risks faced by donors – development risk, project risk, institutional risk – in these countries? 4) Does the sequencing of aid matter for aid effectiveness in post-conflict countries? [24] What sequencing patterns seem to yield better results in promoting post-conflict recovery and preventing the recurrence of conflicts? Answering these questions requires in-depth country studies and comparative analysis that emphasize both institutional and policy factors in determining the behavior of donors and recipients and the resulting impact on efficiency in the allocation and utilization of foreign aid.

[24] For detailed discussions and case study illustrations on the role of aid and its sequencing in post conflict-countries, see studies in the edited volume by Langer and Brown (2016).

7.5. Policy Regime Shifts and Aid Effectiveness

A strand of the literature has argued that economic performance is critically dependent on the type of economic policy regime pursued by a government. At the same time, the behavior of donors is also influenced by their attitude vis-à-vis the recipient country's policy regime, as demonstrated by the country cases discussed in this paper (Section 6). These complex relationships are instrumental for aid effectiveness. But, such relationships cannot be detected in studies that follow the standard aid effectiveness evaluation framework. Future research on aid effectiveness in Africa will be more fruitful if it adopts a strategy that 1) focuses on country case studies and comparative analysis; 2) takes a historical perspective in analyzing short-term and long-term relationships between the policy choices made by African governments and the responses by donors. Such a research approach will help shed light on issues of policy ownership, policy conditionality, and shared recipient-donor responsibilities in development successes and failures.

The attention to policy regime shifts in future research on aid effectiveness is important given that, especially since the turn of the century, there is a growing consensus that African countries have pursued more prudential approaches to macroeconomic policies and that they may even have begun to reap the benefits from past reforms in terms of growth acceleration and macroeconomic stability. One question that may be raised is whether aid effectiveness has also improved in the context of the presumed improved macroeconomic policy frameworks in Africa. A related question is what role aid has played in the improvement of macroeconomic policy regimes in Africa. The best way to investigate such questions is through country studies and comparative analysis that pay attention to short-term and medium-term developments, while drawing pertinent lessons from longer historical perspectives.

7.6. Aid Effectiveness and Structural Transformation in Africa

A perennial feature of African economies has been the lack of structural transformation, which is a key reason for the inability of the majority of these economies to achieve and sustain high growth rates, significantly reduce poverty[25] and benefit from integration into the global economy. Discussions about aid effectiveness must take into account the new global context that puts a high premium on the urgency of structural transformation in African countries (Addison et al., 2015). This global context presents both opportunities, such as possibilities for leapfrogging through technology and innovation, as well as challenges, such as strong competition from emerging economies that constrain industrialization in Africa.

[25] See Arndt et al. (2016) for evidence from detailed country case studies on progress and challenges in poverty reduction in African countries.

In future research on aid effectiveness in Africa, questions to be investigated include the following: 1) To what extent does the imperative of structural transformation feature in development strategies at the national level and in donor-recipient relationships? 2) To what extent is aid explicitly allocated to supporting structural transformation? Specifically, what fraction of aid is used to promote the foundations for structural transformation and to finance non-traditional economic activities in recipient countries? 3) What non-financial development assistance instruments can donors deploy to assist African countries in promoting structural transformation? 4) What role does aid play in explaining variations across African countries in performance with regard to economic diversification?

7.7. Aid Effectiveness and Africa's New Development Partners

The role of Africa's new or emerging development partners will feature prominently in future research on aid effectiveness in Africa. While the recent literature and global policy debates have acknowledged the rapid expansion of development cooperation between Africa and these new partners, there is still limited evidence on the extent to which these new developments represent a significant shift in development cooperation relative to traditional donors.

There is little knowledge on whether, and to what extent, aid from donors from the South is effective, and how it compares with aid from traditional donors. Research to address these questions is constrained by the dearth of data on aid from new donors, as discussed earlier in this paper. As a result, traditional approaches to aid effectiveness are bound to yield few useful insights.

In contrast, research that focuses on country and sectoral analysis has high potential for adding value to the literature on aid effectiveness in Africa. Such research can shed light on a number of issues that are critical for Africa's growth and social development prospects, including the following: 1) The role of development assistance from emerging partners in financing investment and productivity growth in key sectors of African economies, notably agriculture and manufacturing; 2) Potential adverse effects of investments from emerging economies – for example, is the so called 'land grab' a real threat to rural livelihoods and food security in Africa? 3) The role of new partners in promoting technological innovation in African countries; 4) Potential for knowledge sharing between African countries and their Southern partners in promoting industrialization; 5) Strategies for leveraging the high demand for African natural resources to support structural transformation. In particular, future research on aid effectiveness should aim to shed light on how resource-rich countries in Africa can avoid the 'resource curse' in their engagement with their new development partners.

These questions need to be investigated through detailed case studies based on extensive field work that pay attention to the domestic institutional and policy context, the incentive structure governing the behavior of the various stakeholders (domestic and foreign, public and private), and the interactions between the new partners and the traditional donors on the ground in African countries. Such research may shed light on the implications of South-South development cooperation on the aid architecture and on Africa's position in the global economy.

8. CONCLUSION

This paper sought to take stock on the evidence from the literature and chart a way forward on future research on aid effectiveness in Africa. The paper supplemented the review of the literature with illustrations from selected country cases to highlight key dimensions of aid effectiveness under various economic regimes and political contexts over time. A number of lessons emerge from the review. First, it is clear that the conventional framework used for evaluating aid effectiveness is inadequate for analyzing the extent to which aid to African countries has contributed to economic development. Under this framework, research has typically pursued cross-sectional analysis based on aggregate indicators with poorly defined linkages between aid and development outcomes, on the one hand, and between aid and the fundamental drivers of growth and economic development, on the other hand. This conceptual framework ignores key country-specific institutional and historical factors that may explain the observed cross-country variations in aid effectiveness. A major limitation of the conventional framework is that it lacks the recipient perspective. These weaknesses of this traditional framework largely explain the lack of consensus on the role of aid in economic development in general, and in the case of African countries in particular.

Second, the paper noted that while it is still in its infancy, the burgeoning research that focuses on sectoral allocation of aid and its impact on specific disaggregated development outcomes has already provided insightful results on aid effectiveness in African countries. The few existing studies in this strand of the literature reveal that aid that is explicitly targeted to sectors such as education and health yields positive outcomes and has positive externalities, especially in terms of gender equity. These effects seem to be stronger when foreign aid allocation to social sectors is accompanied by increased government spending in these sectors. The analysis at the sectoral level suggests that the failure to find consensus in the literature on aid effectiveness may be due to the fact that the conventional analytical frameworks used are unable to translate positive micro and sectoral level outcomes into macroeconomic outcomes. Thus, claims that aid has no, or limited, positive effects on economic development, drawn from studies based on the conventional macro-level analyses, are fundamentally misguided. The evidence suggests that future research on aid effectiveness should be anchored on sectoral and country-level analysis. This requires substantial and sustained investment in collecting and analyzing disaggregated data on aid, institutions, policy regimes, and qualitative as well as quantitative measures of development outcomes.

Third, the review of the literature, as well as the country cases discussed in this paper, revealed the critical role of the policy environment in determining donors' attitude, aid inflows and aid effectiveness. On the donor's side, the importance accorded to policy is motivated by the pursuit of 'value for money' and the view that aid works best in countries with 'good policy environments'. This approach to development assistance carries important limitations. In particular, the evidence reviewed in this paper has demonstrated that donors have typically assessed the quality of the policy regime in African countries from the donor's perspective and less in relation to the African country's development goals. Thus, a policy regime is judged appropriate and worth supporting if it fits the donors' own idiosyncratic preferences. This has undermined policy ownership and mutual accountability in development cooperation. Donors' reluctance to cede control over policy is a result of the lack of 'trust' vis-à-vis the recipient government. But ultimately governments that demonstrate the ability to craft a clear economic development agenda and deliver results have gradually earned donors' trust – hence, higher 'joint policy ownership' as illustrated by the cases of Tanzania and Rwanda reviewed in this paper. These experiences carry important lessons for future research on aid effectiveness in Africa.

One limitation in the existing research on aid effectiveness and the role of policy is that it has ignored the fact that aid can also affect policy. On the one hand, donors often explicitly dictate changes in the policy regime through aid conditionalities. On the other hand, foreign aid can help to improve the policy environment if it is allocated to programs aimed at strengthening the state's technical capacity to design and implement economic policy. This implies that – to the extent that limited aid effectiveness in Africa can be attributed to bad policy environments – poor performance is a shared responsibility between donors and recipients. Therefore, research on aid effectiveness must pay close attention to the extent to which foreign aid is used to strengthen the policy environment and administrative capacity in African countries.

Forth, the future of aid effectiveness in Africa will be significantly influenced by the role played by the continent's emerging partners from the South. These partners present an opportunity for Africa as a source of additional development financing and as an avenue to expand the continent's trade potential. However, the review of the evidence clearly shows that the role of these partners in overall development aid is still limited, albeit rapidly expanding. But the picture may be clouded by the fact that aid from the new donors is poorly reported and aid processes are not sufficiently transparent. Going forward, research on the impact of South-South development cooperation on African development should be anchored on studies at the country and sector levels that investigate the gains and challenges associated with aid and broader bilateral economic exchanges between African countries and their partners from the

South. The existing literature shows that African countries can gain substantially by leveraging global demand for their natural resources, including agriculture. But this will require African countries to craft a clear strategy of engagement with their new partners in line with their national development strategy.

The paper has proposed a number of areas of focus for future research on aid effectiveness in Africa. The list is by no means exhaustive; however it constitutes a good basis for designing a research strategy to fill the gaps in the existing literature so as to advance knowledge on aid effectiveness in African countries.

APPENDICES

Appendix 1

Table 1: ODA by Region (billion, constant 2014, US$)

	Amount (billion, constant 2014 $)							Percentage change					
	1960	1970	1980	1990	2000	2010	2014	1960-70	1970-80	1980-90	1990-2000	2000-10	2010-14
Africa	8.0	8.0	26.4	42.5	20.5	51.0	54.2	0.3	230.8	60.6	-51.8	149.6	6.2
North Africa	4.3	2.4	7.3	13.0	3.0	2.8	7.4	-45.8	211.5	77.8	-77.1	-4.9	158.4
SSA	3.6	5.5	18.7	28.9	16.6	46.5	44.3	50.9	243.3	54.3	-42.5	180.3	-4.7
America	1.3	4.9	5.5	8.5	6.4	11.7	9.9	262.3	12.3	55.1	-24.6	82.8	-14.9
Asia	13.2	15.9	34.9	29.8	21.1	39.3	53.8	20.6	119.9	-14.6	-29.0	86.1	36.7
Developing Europe	2.3	0.9	2.9	2.5	4.9	6.3	8.6	-63.5	243.7	-15.3	98.7	28.2	36.6
Middle East	1.7	2.2	14.6	8.2	3.3	10.1	25.1	27.9	568.9	-43.8	-60.5	**211.9**	**147.1**
Oceania	0.1	1.3	2.5	2.2	1.1	2.0	1.9	789.5	99.2	-10.8	-51.5	85.2	-6.8
	Share (% of total)							Percentage change					
	1960	1970	1980	1990	2000	2010	2014	1960-70	1970-80	1980-90	1990-2000	2000-10	2010-14
Africa	30.9	24.6	31.4	44.7	31.1	36.3	33.6	-20.4	27.6	42.6	-30.5	16.9	-7.4
North Africa	16.9	7.3	8.7	13.7	4.5	2.0	4.6	-57.0	20.1	57.8	-66.9	-55.5	125.5
SSA	14.0	16.8	22.2	30.4	25.2	33.1	27.5	19.7	32.4	37.0	-17.1	31.3	-16.9
America	5.2	15.0	6.5	8.9	9.7	8.3	6.2	187.5	-56.7	37.7	8.7	-14.4	-25.8
Asia	51.0	48.8	41.4	31.4	32.1	28.0	33.4	-4.3	-15.2	-24.2	2.4	-12.8	19.3
Developing Europe	9.0	2.6	3.5	2.6	7.5	4.5	5.3	-71.1	32.5	-24.8	186.5	-39.9	19.2
Middle East	6.6	6.7	17.4	8.7	4.9	7.2	15.6	1.5	157.9	-50.1	-43.0	46.1	115.6
Oceania	0.5	3.9	3.0	2.3	1.6	1.4	1.2	605.8	-23.2	-20.8	-30.1	-13.2	-18.7

Source: Author's computation using data from OECD database

Notes: America = Central, North and South America (developing economies); Asia = Central, East and South Asia (developing economies)

Appendix 2

Table 2: Cumulative ODA disbursements to African Countries over 1960-2014

	Cumulative, billion (constant 2014 $)			DAC share (%)	Country's share in total ODA (%)	ODA per capita (constant 2014, $)	
Recipient	Non-DAC	DAC	All donors			Cumulative	Annual
Algeria	1.93	25.13	30.23	83.1	2.0	776.4	1.0
Angola	0.01	8.95	14.01	63.9	0.9	578.3	2.8
Benin	0.09	8.76	15.89	55.1	1.1	1499.7	5.8
Botswana	0.04	6.34	8.04	78.8	0.5	3623.8	190.1
Burkina Faso	0.30	15.55	27.51	56.5	1.9	1564.1	71.7
Burundi	0.14	7.34	14.68	50.0	1.0	1357.2	44.6
Cabo Verde	0.04	4.67	6.49	71.9	0.4	12634.7	868.7
Cameroon	0.25	21.53	30.68	70.2	2.1	1347.3	5.8
Central African Republic	0.09	5.70	9.94	57.3	0.7	2068.5	38.9
Chad	0.21	8.03	14.99	53.6	1.0	1103.0	34.0
Comoros	0.23	1.63	2.96	55.1	0.2	3844.5	239.7
Congo, Dem. Rep.	0.43	44.16	65.06	67.9	4.4	868.9	2.0
Congo, Rep.	0.26	9.67	12.46	77.6	0.8	2765.5	37.3
Côte d'Ivoire	0.03	23.18	34.65	66.9	2.3	1563.9	28.4
Djibouti	0.88	4.21	6.44	65.4	0.4	7349.5	33.7
Egypt	48.86	89.72	157.92	56.8	10.7	1762.9	6.1
Equatorial Guinea	0.07	1.00	1.60	62.4	0.1	1945.7	872.7
Eritrea	0.37	2.44	4.75	51.5	0.3	928.7	163.8
Ethiopia	0.84	36.45	69.34	52.6	4.7	715.1	3.0
Gabon	0.14	4.49	5.64	79.6	0.4	3340.6	16.1
Gambia	0.16	1.96	4.42	44.2	0.3	2294.8	656.6
Ghana	0.32	22.42	40.23	55.7	2.7	1502.0	10.2
Guinea	0.61	7.16	14.35	49.9	1.0	1169.2	45.4
Guinea-Bissau	0.21	2.96	5.53	53.4	0.4	3073.6	121.5
Kenya	0.28	35.89	51.95	69.1	3.5	1158.0	12.4
Lesotho	0.06	4.24	7.26	58.4	0.5	3441.5	424.8
Liberia	0.16	8.83	14.15	62.4	1.0	3218.1	68.1
Libya	0.42	2.29	3.05	75.0	0.2	487.7	217.7
Madagascar	0.31	13.53	25.43	53.2	1.7	1079.0	31.0
Malawi	0.12	14.39	26.54	54.2	1.8	1589.8	4.8

Mali	0.78	17.72	30.67	57.8	2.1	1795.3	168.0
Mauritania	3.13	6.17	16.47	37.5	1.1	4149.0	64.8
Mauritius	0.03	2.35	3.72	63.0	0.3	2953.9	771.8
Morocco	15.14	30.77	56.75	54.2	3.8	1673.1	14.7
Mozambique	0.19	37.00	53.28	69.4	3.6	1957.5	5.4
Namibia	0.02	4.29	5.97	71.7	0.4	2486.4	16.4
Niger	0.59	13.14	23.21	56.6	1.6	1214.1	6.2
Nigeria	0.02	35.71	49.28	72.5	3.3	277.7	1.0
Rwanda	0.17	13.86	24.55	56.5	1.7	2164.8	23.0
Sao Tome and Principe	0.00	0.96	1.77	54.5	0.1	9492.6	2656.3
Senegal	1.11	23.53	37.13	63.4	2.5	2530.9	15.4
Seychelles	0.16	1.04	1.50	69.18	0.10	16372.2	3952.2
Sierra Leone	0.14	6.33	12.03	52.6	0.8	1905.4	163.4
Somalia	4.08	15.64	27.72	56.4	1.9	2635.7	11.6
South Africa	0.03	13.84	18.42	75.1	1.2	341.0	2.4
South Sudan	0.01	4.26	5.06	84.2	0.3	425.2	42.3
Sudan	8.27	30.30	53.53	56.6	3.6	1360.3	6.8
Swaziland	0.05	2.19	3.49	62.7	0.2	2746.3	49.9
Tanzania	0.38	50.24	74.93	67.1	5.1	1445.9	5.1
Togo	0.10	6.05	10.15	59.6	0.7	1426.5	138.7
Tunisia	1.79	18.77	27.22	68.9	1.8	2475.6	9.3
Uganda	0.71	21.93	40.13	54.7	2.7	1062.2	1.6
Zambia	0.30	26.05	39.40	66.1	2.7	2506.3	75.2
Zimbabwe	0.09	14.64	19.15	76.5	1.3	1255.8	62.0
Africa	97.36	930.89	1475.91	63.1	100.0	1278.0	23.2
North Africa	68.16	169.14	279.62	60.5	18.9	1556.1	28.3
Sub-Saharan Africa	27.64	733.65	1158.10	63.3	78.5	1188.6	21.6
Share of top 10 recipients					45.5		
Share of top 15 recipients					57.9		
Share of top 20 recipients					67.6		

Source: Author's computation using data from OECD database

Appendix 3

Table 3: ODA, Tax and Government Expenditure Ratios

Country (by descending ODA : Central Government expense)	Average of 5 most recent years available		2013 value
	ODA : Central Government Expense* (%)	ODA : Tax Revenue (%)	Tax Revenue : GDP (%)
Sao Tome and Principe	114.7	120.7	14.7**
Rwanda	113.0	117.8	13.2
Ethiopia	111.3	75.1	9.3
Congo, Dem. Rep.	109.2	117.8	14.6
Central African Republic	91.8	132.4	9.4
Burkina Faso	81.4	69.9	13.7
Mali	76.2	67.0	14.6
Mozambique	70.6	81.9	15.2
Madagascar	69.4	47.0	11.1
Togo	68.0	59.7	15.4
Uganda	65.1	73.0	14.2
Benin	64.3	48.3	15.5
Tanzania	50.8	68.7	17.3
Cabo Verde	49.1	65.4	19.4
Senegal	45.4	38.0	18.9
Côte d'Ivoire	45.1	37.5	11.9
Zambia	38.7	33.4	13.8
Congo, Rep.	29.7	9.7	8.4
Kenya	26.1	26.6	19.6
Ghana	26.0	31.2	15
Lesotho	15.2	22.1	21.5
Seychelles	10.5	10.0	31.7
Namibia	9.5	7.6	23.5
Nigeria	8.4	3.6	11.5
Mauritius	7.0	7.3	15.3
Botswana	6.8	3.4	20.4
Equatorial Guinea	5.2	0.7	9

Angola	1.2	0.6	46.3
South Africa	1.0	1.2	25.4

Sources: ODA/Central Government Expense ratios are from World Development Indicators; ODA/Tax ratios are computed using tax revenue from OECD (African Economic Outlook database*); Tax/GDP ratios are from USAID Fiscal Reform and Economic Governance Project, Collecting Taxes database.*

Notes: * Expense is cash payments for operating activities of the government in providing goods and services. It includes compensation of employees (such as wages and salaries), interest and subsidies, grants, social benefits, and other expenses such as rent and dividends.
** Value for Sao Tome and Principe is for 2010

Appendix 4

Table 4: Cumulative ODA to Africa by source, 1960-2014

	Cumulative		Annual Average	
	Volume (billion, 2014 $)	Donor's share (%)	Volume (billion, 2014 $)	Donor's share (%)
All donors	1475.9	100.0	26.8	100.0
DAC donors	930.9	63.1	16.9	63.1
Non-DAC donors	97.4	6.6	2.1	7.9
Multilateral donors	447.7	30.3	8.1	30.3
EU	141.3	9.6	2.6	9.6
IDA	127.8	8.7	2.3	8.7
IMF CTF	14.9	1.0	0.5	1.9
Private donors	5.1	0.3	0.9	3.2
AfDB	2.1	0.1	0.2	0.6
ISDB	2.0	0.1	0.1	0.2
Individual bilateral donors				
USA	214.2	14.5	3.9	14.5
France	200.4	13.6	3.6	13.6
Germany	93.2	6.3	1.7	6.3
UK	81.6	5.5	1.5	5.5
Japan	57.6	3.9	1.0	3.9
Netherlands	39.5	2.7	0.8	3.0
Emirates	37.8	2.6	0.9	3.2
Canada	35.9	2.4	0.7	2.4
Sweden	33.8	2.3	0.6	2.3
Belgium	29.6	2.0	0.5	2.0
Norway	24.8	1.7	0.5	1.7
Denmark	22.8	1.5	0.4	1.6
Spain	12.9	0.9	0.5	1.7
Switzerland	12.2	0.8	0.2	0.9
Finland	8.1	0.5	0.2	0.7
Portugal	7.0	0.5	0.2	0.9
Ireland	6.6	0.4	0.2	0.6
Austria	5.7	0.4	0.1	0.4
Australia	4.6	0.3	0.1	0.3

Luxemburg	2.0	0.1	0.1	0.3
Korea	1.9	0.1	0.1	0.3
Poland	0.4	0.0	0.0	0.0
Greece	0.3	0.0	0.0	0.1
New Zealand	0.3	0.0	0.0	0.0
Russia	0.2	0.0	0.0	0.2
Iceland	0.2	0.0	0.0	0.0
Slovak Rep.	0.1	0.0	0.0	0.0
Czech Rep.	0.1	0.0	0.0	0.0
Slovenia	0.0	0.0	0.0	0.0

Source: Author's computation using data from OECD database

Appendix 5

Table 5: Share of Donors in Recipient Country's Total ODA (percent of cumulative aid, 1960-2014)

Recipient	DAC	Multilateral	non-DAC	Top bilateral	Top bilateral donor
Algeria	83.1	10.5	6.4	67.8	France
Angola	63.9	36.0	0.1	11.2	USA
Benin	55.1	44.3	0.6	17.1	France
Botswana	78.8	20.7	0.5	20.2	USA
Burkina Faso	56.5	42.4	1.1	17.7	France
Burundi	50.0	49.1	0.9	14.9	Belgium
Cabo Verde	71.9	27.5	0.7	23.3	Portugal
Cameroon	70.2	29.0	0.8	31.1	France
Central African Republic	57.3	41.8	0.9	36.0	France
Chad	53.6	45.0	1.4	25.7	France
Comoros	55.1	36.9	7.9	47.9	France
Congo, Dem. Rep.	67.9	31.5	0.7	20.3	Belgium
Congo, Rep.	77.6	20.2	2.1	58.0	France
Côte d'Ivoire	66.9	33.0	0.1	43.6	France
Djibouti	65.4	20.9	13.7	46.7	France
Egypt	56.8	12.2	30.9	34.8	USA
Equatorial Guinea	62.4	33.3	4.3	30.9	Portugal
Eritrea	51.5	40.7	7.8	14.1	USA
Ethiopia	52.6	46.2	1.2	17.0	USA
Gabon	79.6	18.0	2.4	68.2	France
Gambia	44.2	52.1	3.7	12.3	UK
Ghana	55.7	43.5	0.8	10.4	USA
Guinea	49.9	45.9	4.2	17.6	France
Guinea-Bissau	53.4	42.7	3.9	10.4	Portugal
Kenya	69.1	30.4	0.5	16.9	USA
Lesotho	58.4	40.8	0.8	17.8	USA
Liberia	62.4	36.5	1.1	30.5	USA
Libya	75.0	11.2	13.8	34.8	USA
Madagascar	53.2	45.6	1.2	27.5	France
Malawi	54.2	45.3	0.5	18.9	UK

Mali	57.8	39.7	2.5	16.4	France
Mauritania	37.5	43.5	19.0	15.2	France
Mauritius	63.0	36.3	0.7	38.2	France
Morocco	54.2	19.1	26.7	25.0	France
Mozambique	69.4	30.2	0.3	10.0	USA
Namibia	71.7	28.0	0.3	21.6	USA
Niger	56.6	40.8	2.6	21.2	France
Nigeria	72.5	27.5	0.0	21.7	UK
Rwanda	56.5	42.8	0.7	11.6	Belgium
Sao Tome and Principe	54.5	45.4	0.0	29.0	Portugal
Senegal	63.4	33.6	3.0	31.3	France
Seychelles	69.2	20.2	10.6	29.8	UK
Sierra Leone	52.6	46.3	1.1	17.7	UK
Somalia	56.4	28.9	14.7	18.8	USA
South Africa	75.1	24.7	0.2	30.6	USA
South Sudan	84.2	15.6	0.2	32.9	USA
Sudan	56.6	27.9	15.5	22.6	USA
Swaziland	62.7	35.8	1.5	23.3	UK
Tanzania	67.1	32.4	0.5	9.3	UK
Togo	59.6	39.4	1.0	24.6	France
Tunisia	68.9	24.5	6.6	25.7	France
Uganda	54.7	43.6	1.8	13.7	USA
Zambia	66.1	33.1	0.8	11.9	UK
Zimbabwe	76.5	23.0	0.5	15.3	USA
Africa	63.1	30.3	6.6	14.5	USA
North Africa	60.5	15.1	24.4	23.8	USA
Sub-Saharan Africa	63.3	34.3	2.4	12.8	France

Source: Author's computation using data from OECD database

Appendix 6

Table 7: Aid to Tanzania Over Time by the Main Donors - Annual Inflows (million, constant 2014 US$)

Phase	Policy regime/donor relations	USA	UK	Sweden	Norway	Netherlands	Japan	Germany	Denmark	Canada	Multilateral	DAC	All donors
	Annual aid inflows (million, constant 2014 $)												
Phase I: 1961-67	Pre-socialist	42.8	125.9	5.6	1.3	1.9	0.3	21.0	3.5	4.5	16.6	208.7	225.3
Phase II: 1968-80	Socialist experiment	57.4	39.7	125.7	45.0	79.3	20.2	77.0	55.2	51.1	142.6	584.5	735.0
Phase III: 1981-85	Donor impasse	47.7	79.1	133.2	97.2	98.6	71.2	95.8	74.1	61.8	296.4	895.3	1228.8
Phase IV: 1986-91	Reforms begin	28.5	75.4	189.3	134.2	124.4	96.3	102.5	121.1	55.5	387.7	1226.5	1616.6
Phase V: 1991-95	Reforms stalled	38.7	86.3	128.8	102.4	89.0	133.4	104.3	120.9	35.4	537.9	1021.6	1562.7
Phase VI: 1996-current	Reforms deepened	230.5	226.4	97.0	87.0	93.4	163.1	84.0	105.8	55.7	859.6	1335.6	2198.0
	Donor's share in total annual aid flows (percent)												
Phase I	Pre-socialist	19.0	55.9	2.5	0.6	0.8	0.1	9.3	1.6	2.0	7.4	92.6	100.0
Phase II	Socialism	7.8	5.4	17.1	6.1	10.8	2.7	10.5	7.5	7.0	19.4	79.5	100.0
Phase III	Donor impasse	3.9	6.4	10.8	7.9	8.0	5.8	7.8	6.0	5.0	24.1	72.9	100.0
Phase IV	Reforms begin	1.8	4.7	11.7	8.3	7.7	6.0	6.3	7.5	3.4	24.0	75.9	100.0
Phase V	Reforms stalled	2.5	5.5	8.2	6.6	5.7	8.5	6.7	7.7	2.3	34.4	65.4	100.0
Phase VI	Reforms deepened	10.5	10.3	4.4	4.0	4.3	7.4	3.8	4.8	2.5	39.1	60.8	100.0

Source: Author's computation using data from OECD database.

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