

IN THE WAKE OF CRISIS



**Changes in
Development Assistance
to the Poorest
African Nations**

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Foreword

IN APRIL, 1990, SIDA (the Swedish International Development Authority) commissioned an inquiry into the structure of development assistance to countries in crisis in Africa. This inquiry may be seen as part of the continuous review of the content and methods of assistance undertaken by SIDA in the 1980s. The reorganization of 1986 was an important step in this process, as was the so-called role investigation started in 1988. Rapid changes in the development assistance environment, not least the deep economic crises of the 1980s, have also altered the conditions affecting development assistance. The need for adjustment, review and renewal in development assistance has grown.

This report is intended to serve as a practical supplement to, and more concrete expression of, earlier reports on Swedish development assistance to Africa, including the extensive work of the Foreign Ministry reported in "Recovery in Africa" (1988), the guidelines in the section of the 1988/89 Parliamentary Budget Bill on Foreign Aid, the SIDA seminar on "Development Assistance for the Nineties – Adjusting the Perspective" (1989) and SIDA's so-called role investigation (1989).

The aim of this study is:

1. To systematize problems and experience from some of the worst afflicted countries in Africa.
2. To propose steps to improve SIDA's assistance to these countries. Here, this report should be used as a basis for country-specific programmes of action.
3. To indicate a number of areas requiring more in-depth study.
4. To be a part of SIDA's detailed appropriations request.

The problems in Africa have been described and analyzed in numerous documents. No attempt is made here to summarize or evaluate them. Some of the points of departure for our proposed programme of action are, however, set out in this report. Many of the reports and analyses of the situation in Africa are extensive and general in nature, not least in their recommendations. Our intention is to be more practical and explicit. We have, somewhat arbitrarily, selected Angola, Ethiopia, Guinea-Bissau, Mozambique, Tanzania, Uganda and Zambia as recipient countries in Africa suffering under crisis. Although we would have preferred to center our discussions and proposals on these countries, much of this report will be relevant to other recipient countries as well.

This is by no means a comprehensive study. It is limited to a number of issues that have a direct effect on development assistance activities.

The Background and Consequences of Crisis

The increasing marginalization of Africa in the world economy

IN THE 1980s Sub-Saharan Africa played an increasingly peripheral role in the world economy. The proportion of this region's world exports went down from 2.4% in 1970 to 1% in 1985. With the exception of oil, commodities decreased even more dramatically – from 7% to less than 4%. The export mix remains largely unchanged. Commodities (including oil) answered for 93% of exports in 1970 and 88% in 1985. The terms of trade (the relationship between the prices of exports and imports) for the area have worsened, particularly in the 1980s. If the 1971 level is given a figure of 100, it fell to 92 by 1980 and 75 by 1989.

Sub-Saharan Africa also has the largest foreign debt in relation to its GDP and export revenues of all the regions. A greater proportion of this region's foreign debt is made up of loans from the IMF, the World Bank and bilateral assistance loans than is the case in the other third world regions. The 1980s saw a sharp decline in private capital's interest in the countries in this region. By the end of the 1980s private investments and commercial loans to the SADCC region constituted less than a quarter of the assistance flow.

On average, the situation of people in Africa has deteriorated both in absolute figures and to an even greater extent in comparison with the rest of the world. During this decade the region's GDP per inhabitant declined by 2.2% a year, compared with an average annual increase in East Asia of 6.7%, and 3.2% in South Asia.

Sub-Saharan African countries contain one third of the population of the third world. According to the 1990 World Development Report some 16% of the world's poor inhabited this area in 1985. According to the same source this figure will increase to about 30% by 2000, an increase in absolute terms of approximately 100 million. This is the only region in the third world where the absolute number of poor people is estimated to increase in the 1990s. Put in the simplest terms, this is caused by poor economic growth coupled with rapid population growth. Both these factors are affected by the rapid spread of AIDS. Environmental pollution limits both short and long term growth. The declining interest in the rest of the world in this region in recent years, and its increasingly peripheral role in the world economy, will in all likelihood

become more pronounced in the course of the 1990s. This trend means that Sub-Saharan Africa, particularly the countries in deepest crisis, will become even more dependent on assistance. At the same time this situation, taken together with events in South Africa, opens up an opportunity for more African cooperation and a course of development that is less the product of external influence.

The following are some of the factors that affect the position of the African countries in the world economy.

1. The Soviet Union, which faces more than enough economic and political problems of its own, is in the process of withdrawing from its earlier so-called client countries in Africa. These include Angola, Ethiopia and Mozambique. Africa is no longer an arena for super-power conflicts. The flow of resources from the Soviet Union to some African countries in the form of loans and assistance is drying up, to be replaced by demands for repayments. In the USA, political interest in clients in this area is also on the wane. Once the political situation in Angola and Mozambique has been "resolved" in a way that is acceptable to Washington, the new governments of these countries may possibly be able to count on some USA assistance for a while, but, with the exception of South Africa and its mineral resources, the USA's interests in Sub-Saharan Africa will then become minimal. The withdrawal of the superpowers creates more space for independent action by African governments.
2. Developments in eastern Europe are attracting investments to this region from companies and banks, primarily European, but some North American as well. Eastern Europe is also a competitor for development assistance. These factors may result in smaller loans and investments and less assistance being given.
3. The ongoing regionalization of the world economy, some examples being the emergence of the EC, USA-Canadian cooperation and cooperation between Japan and the south-east Asian countries, may also serve to further isolate Sub-Saharan Africa.
4. Regionalization may be complemented by greater protectionism, one example being the difficulties encountered in the GATT negotiations.
5. Even if economic growth in Sub-Saharan Africa were higher in the 1990s than in the 1980s, purchasing will continue to be low, and this means that the region will have limited interest as an export market.
6. The continued spread of new technology in industrial nations which replaces or reduces their need for minerals will also have a negative effect on this region.
7. The war in the Middle East has helped divert the interest of the rich nations from the African countries. Reconstruction and manoeuvring

in the new political situation in the Middle East will occupy a considerable amount of the rich nations' attention.

Two more factors, directly related to development assistance, may be added to the above.

8. "Aid fatigue". "The African countries will never emerge from their crisis, and they are corrupt as well." These are two ways of expressing the doubts that are gradually emerging from representatives of the donor countries. In addition, assistance donors as a group tend to want to transfer their attention to new areas after a number of years.
9. As a result of the elimination of the anti-apartheid factor the nations in Southern Africa have to compete for development assistance with other third world countries without the "extra premium". This premium is no longer paid because the foreign aid to the SADCC countries given by some donors was seen as part of the anti-apartheid policy and/or as compensation for not introducing sanctions against apartheid-practising South Africa.

Taken together, these factors may paint a very dismal future scenario for the whole of Sub-Saharan Africa and of course for the countries in deepest crisis in particular. There is a risk that these countries could fail to be of interest to anyone other than their own inhabitants and a number of international mining companies. The current structural adjustment programmes constitute the most important factor in slowing the trend towards even greater isolation for this region. The liberalization of trade, the opening up of national economies and ideas about export-led growth can create greater integration with the economies of the wealthy nations. Added to this is the wealthy nations' interest in having their loans repaid, which has so far resulted in their providing extensive assistance and setting strict economic policy conditions. This line of action may continue through the 1990s.

Experience of the first years of structural adjustment in some countries shows that it is possible to reverse the negative economic trends, albeit at a slower rate than predicted. It is, however, still too early to draw any more definitive conclusions from the possible results of these programmes.

The collapse of apartheid and the withdrawal of the Soviet Union has given the countries in this area more space to act for themselves. An involuntary partial disconnection from the centre of the world economy may in the long term bring about a more self-generated development in Africa based on a greater degree of mobilization of these countries' own resources. In this context, a majority-governed South Africa could play an important part as a dynamo (provided post-apartheid South Africa can improve its economic growth). For international companies South Africa may, provided it is considered stable, be regarded as the entrance to the SADCC region and possibly even to Sub-Saharan Africa.

The current process of democratization in this area may create the

conditions required for greater economic dynamism, and it is likely that this will be a decisive factor in the long-term improvement of effectiveness and legitimacy in government administration. In many countries substantial advantages may be won by a greater mobilization of domestic resources. Whether this process is compatible with structural adjustment programmes qualified by strict terms and conditions remains to be seen.

It may be concluded from the above that the African countries will have long term dependence on expensive development assistance. This assistance will be largely in the form of aid to Sub-Saharan Africa. Africa's diminished importance to the wealthy nations may also mean that the total flow of assistance will be reduced. The relative importance of Swedish assistance would then increase as other countries cut down their assistance. In this situation it will be more important than even in the 1990s to increase the assistance donated through SIDA to Africa, and to the crisis countries in particular.

The crisis and the role of the state

SINCE ITS INCEPTION, development assistance has been largely structured as co-operation between governments or international development assistance organizations, and, on the recipients' side, governments and government organizations. The state is regarded both by donor and recipient as the primary instrument for building the nation and planning its development. As a rule, the planning and implementation of foreign assistance requires co-operation between the state in the recipient country and the development assistance organizations. Formerly, it was the government of the recipient country that decided which sectors and projects would be receiving assistance. The donors, which in their own countries would never accept a state-planned economy, required the recipients to prepare 5-year plans to ensure that the framework for development assistance was clearly defined. These 5-year plans formed part of the conditions set for the development assistance of the 1960s as is the case with the IMF agreements and structural adjustment programmes today.

A prerequisite of development assistance was co-operation with the recipient country's public administration. At the same time, development assistance made possible the rapid expansion of this public administration and the rest of the public sector. When the crises of the 1980s eroded the government's legitimacy and the public administration's capacity was rapidly reduced, development assistance faced a crisis. The symbiosis of development assistance and the state means that if the state is in crisis then the development assistance programmes are in crisis as well.

In many third world countries the state crisis developed parallel with, and not without influence from, the crisis, or the doubts that assailed states in both the first and second world. In the western industrialized countries moneta-

rism and neo-liberalism gained ground not only in Reagan's America and Thatcher's Britain. The established welfare state was also questioned, at least in part in countries with so-called democratic governments. The demand that the role of the state in Africa should be limited was influenced by the topicality of this subject in the donor countries. In former socialist countries the state-controlled planned economy model had broken down completely. African governments that had regarded this model as an alternative to the capitalist system now no longer have anything to model themselves on, and have lost some of their political and economic support.

Before we discuss the effects of the state crisis on assistance let us give a brief description of a model for post-colonial development and the role of the state in this model. We believe that it will make today's crisis easier to understand.

The role of the state in post-colonial developments in Africa

THE STRUGGLE FOR INDEPENDENCE in most Sub-Saharan African countries was carried on by a broad anti-colonial socialist coalition which included teachers, clerical staff, workers, peasants and shopkeepers. The post-independence objective of this political alliance was to transform the colonial society, with its strong economic and social disequilibrium, to a nation characterized by expansion and better equilibrium.

In most countries, including those that accepted the market economy, the state became the primary instrument for planning and control which aimed at creating a common perception in society, economic expansion and social improvement. There are a number of reasons why the state adopted this role. Many people in the anti-colonial alliances associated colonial power with capitalism, with the result that capitalism was perceived as a negative force. At independence, the economies of most of the colonies were undeveloped and consisted mainly of enclave production of agricultural products and minerals for export. The public administration was the segment of society that the independence movements were able to gain control of. The "revolution of expectations" in some sectors of the population called for rapid development, and these expectations were considerable, particularly in education, the health service and water supply.

In most of these countries the most important sectors outside the state were export-oriented agriculture, family-based agriculture and, in some cases, mineral extraction.

It was thought that industry, commerce and, above all, agriculture would create the economic surplus that national development needed. The state was to be the primary instrument for the necessary management and control. The state was to ensure i.a. that basic social and physical services were made available to the entire population. It could be said that the elite that took control of the government organizations had some kind of tacit agreement with the other groups.

Since the state was to create a development model based on consensus a pluralistic political system was considered unnecessary. Further, a one-party system was considered preferable as it reduced the risks of ethnic conflicts. In this respect the political system continued to follow old African traditions.

The crisis, which intensified during the 1980s, was partly caused by, and also contributed to, the failure of the post-colonial model. Capital and development assistance failed to change the colonial imbalances in countries with externally-oriented strategies. Assistance to the industrial sectors of countries where the state intervened also failed, as did various kinds of government-controlled agricultural investments. Peasants and small farmers, the overwhelming majority of the countries' populations, received virtually no support at all and the level of their productivity continued to be extremely low. At the same time the state used various strategies, including setting low producer prices, in an attempt to force a surplus from this group. Without rapid growth in production, government support to the rapidly expanding social sectors and the physical infrastructure could not be maintained and they therefore deteriorated as the crisis deepened. The Southern African countries also suffered the effects of South Africa's attempts at destabilization. The hardest-hit countries are Mozambique and Angola, which have not experienced peace since independence and where the war which started at the beginning of the 1980s has put these countries in a permanent state of disaster.

The health service, education and the physical infrastructure degenerated and the legitimacy of the state was eroded. The situation was exacerbated by the growing repression which became the state's reaction to dissatisfaction and criticism.

During this period, donors' development strategies and development theories were based on the assumption that development along the lines of some kind of modernization paradigm was a national objective in the recipient countries and that the foremost task of the state apparatus was to contribute to that development/modernization.

Thus the state was regarded as relatively homogenous, autonomous and as possessing economic and political power. It was considered to have control of external economic links and sufficient administrative and managerial capacity to carry out development plans. Assistance donors therefore demanded development plans as a basis for their aid. When the recipient administrations were unable to produce such plans, the donors placed at their disposal consultants who sat in the planning ministries and produced plans from the fabric which dreams and econometric models are made of.

However, the local elite who gained power over the government organizations in the newly-independent countries rarely, or at least to a lesser and lesser extent as time passed since independence, shared the view of the state held by the donors. Neither did they give national expansion the

absolute priority that the donors had assumed. Instead, the paternalistic aspect grew stronger. The political leadership used their control of the government organizations to reward their allies and to support relatives and others with which they had traditional links. This "cultural collision" over the perception of the state and its role is probably one reason why it took time for the donors to react seriously to the symptoms of crisis. (At the same time it may be noted that the use of control of the government organization to reward the supporters of those in power is not unique to Africa. Consider, for example, the USA President's nomination policy.)

The economic crisis necessitated the production of revolutionary stabilization and structural adjustment programmes according to, respectively, the IMF and the World Bank models, which in their turn further drained any residual ability of governments to honour their "contracts" with the population, while the programmes, at least in the short term, remedied some of the economic imbalances.

As a result of the crisis and structural adjustments, various elite groups have redoubled their efforts to gain control of the government organizations. To work within the state has been important in terms of making economic and social advances, not only for the members of the kleptocratic governments, but also for middle-echelon government officers.

The state's lack of legitimacy has been further eroded by the governments in many of the worst crisis-torn countries becoming extremely dependent on assistance for budget financing, import financing and for servicing their external debts. In particular, the macro-economic conditions set by the IMF and the World Bank have become controlling factors for the governments and public administrations of many countries, and this has also eroded confidence in the state.

Large segments of the population have been affected by the crisis and by the short term effects of the IMF and the World Bank-supported stabilization and structural adjustment programmes. They have had limited scope to express dissatisfaction and submit proposals for change. However, internal and external stimuli, among them events in eastern Europe, resulted in 1989 and 1990 in a greater mobilization of the internal forces that would like to see a more pluralistic society, often symbolized by the demand for a multiple party system. The governments of many of the crisis countries have been forced to make concessions and pledge changes.

It may be noted that the state's lack of capacity and legitimacy as described above is not the result of political ideology alone. Development plans and overdimensioned government apparatuses have been the hallmark of both socialist-controlled and market-oriented countries. To some extent, the state crisis may be ascribed to underdevelopment.

An important condition for new national development is that the state is "deprivatized", i.e. that the foremost function of the state is to serve the population.

The role of development assistance

THE ROLE OF DEVELOPMENT assistance in relation to the weakened state in crisis countries is affected by a number of factors, one of which is the extent to which this government apparatus can and should be rehabilitated so that it may continue to be an important instrument in development, albeit in fewer areas than before. On this point the World Bank has swung from advocating at the beginning of the 1980s the theory that the influence of the government organizations should be minimal to intensive pleading at the end of the decade that the state has an important role in improving the social sectors and the infrastructure, and that assistance donors must make far greater efforts to support the state in these areas.

Another factor is the role other actors with influence in this context, such as transnational companies, international organizations, ethnic and regional groups, local communities etc., allow the state in crisis countries to play. Assistance donors are to be counted among these actors. If they continue to channel most of their aid through the government apparatus, it can be rehabilitated in some areas, although with a considerable amount of development assistance influence. If, on the other hand, cooperation between the government apparatus and assistance donors is progressively reduced, the government apparatus will be further weakened.

The conditions for bringing about improvements for the poorer segment of the population by providing additional assistance to the present government apparatus have worsened in pace with the deterioration of the government apparatus's capacity and legitimacy and the spread of corruption. The relationship between donor and recipient has become increasingly out of balance, while these unbalanced partners have a shared interest in continuing their relationship, thus making it more difficult to bring about changes in development assistance.

The alternative to the government apparatus as a recipient of assistance is to turn to companies, organizations, popular movements, local groups and other actors. More investment in these actors would require the donor side to be reorganized as well. Whether or not such a reorganization is desirable depends on the view one holds of the role of the state in the African nations.

We consider that a strong and effective government apparatus is needed, but operating in a slimmed-down public sector. With all its problems, the nation-state is the social order which presents the fewest problems in Africa, and it will still be needed when regional cooperation increases. As well as serving as a "night-watchman" state, it is also needed to develop the infrastructure and social services. There is no alternative organization for nation-building. It is therefore our view that aid must be invested in improving the effectiveness of the state apparatus in selected areas. It is a matter of avoiding a short-term scenario in which the state apparatus is completely undermined in areas where it will still be needed in the long term.

Difficult choices must be faced. Which part of the present government apparatus should be made more effective and which parts should be scrapped? The answers vary from one country to the next, but it is usually evident that, for example, many state-owned companies should be closed down or taken over by private interests, while others should continue under state ownership but should become more autonomous and more efficient.

The issue of administrative assistance must be discussed in the light of the above. Is it possible to make improvements by attempting to make central parts of public administration more effective? Can corruption be reduced, can margins be created for public sector salary levels that will allow government employees to support themselves without taking on other work during their regular working hours? Or do all kinds of assistance help perpetuate the present parasitic state apparatuses and postpone essential radical change? In many African countries, the party (for it is often a question – or at least de facto – of a one-party system) and the public administration are the only actors with nationwide coverage that reaches down to the local level. Other organizations/actors seldom have the organizational resources required to make demands of the government. The trade unions are often controlled by public administration and party, the peasants and small farmers who constitute the majority of the population are not organized at all, while the bourgeoisie class is very rudimentary. It is therefore difficult to see in the short term the emergence of political alliances of any real power that could successfully demand changes.

At the same time, the state's crisis, economic liberalization, the changes in eastern Europe and the development assistance donors' new slogans about "enabling environments" have led to the "institutional landscape" in many African countries becoming more varied and flexible and more amenable to change.

In this situation SIDA can contribute to changes in central government administration in other ways than by channelling administrative support to the central institutions. It can, for example, reinforce local administrations or support organizations, activities and groups that are able to make demands of central government.

Other development assistance partners are bodies that can help promote pluralism and democracy in the crisis countries, something which cannot normally be produced to order or generated "from above" through the state apparatus, and even less from outside the country through the development assistance organizations. This can, however, be brought about by more pressure from below. The actors here may be independent trade unions, professional associations, the mass media in countries where there is at least some scope for them, various local organizations, women's groups etc. In this area, donors must act with great caution to avoid thwarting good intentions.

Various ways of giving assistance directly to groups in this area should be examined for each country respectively, a task which includes identifying

ongoing activities in this area. This form of assistance has the disadvantage of requiring a great deal of administrative work for sums of money which are modest in the context of the direct allocation to the country. However, this administrative complication applies to almost all poverty-oriented assistance.

Assistance has never, and should never, be channelled solely through the government apparatus of the recipient countries. In the current debate on the role of the state, with its strong ideological overtones, it is nevertheless essential to emphasize the importance of having more effective public administration apparatuses in recipient countries. It is natural that assistance supports such a goal, and at the same time acts through other channels, not least to reach the poor in the short term.

What should Sweden's approach be to structural adjustment programmes?

THE POINT OF DEPARTURE is that the structural adjustment programmes will continue to dominate the economic policies of the crisis countries in the 1990s. Even if certain modifications are made, for example to give greater consideration to their effects in the social sectors, the fundamental objectives of the structural adjustment programmes will remain. The conditions may be further extended as the programmes become more complex. There is some disappointment that the structural adjustment programmes failed to produce better and more conspicuous results. The effects this will have on the orientation of development assistance is not yet clear. The World Bank may reduce the proportion of macro assistance and increase the proportion of project assistance.

The Swedish development assistance agencies consider that stabilization programmes and structural adjustment programmes are needed to eliminate the strong economic imbalances which escalated to crisis proportions in many countries at the beginning of the decade. At the same time, Swedish development assistance policy involved greater efforts to counter the erosion of social sectors which first the crisis and then the structural adjustment programmes brought about, and which became increasingly obvious as the years passed. Since 1989 the World Bank has also drawn attention to this situation, as is stated in its Long Term Perspective Study from 1989 and its 1990 World Development Report. The result in a crisis country like Mozambique is that certain World Bank documents strongly recommend greater investment in, for example, education, the health service and the rural infrastructure, while continuing to call for reduced budget expenditure and the liberalization of production and foreign trade.

A fundamental issue for the approach of Swedish development assistance to the structural adjustment programmes is whether consideration of the poor majority can be integrated into the programmes themselves or if, as has hitherto been the case, one has to "give in and clean up". One of the reasons

why the latter model has been applied is that no clear alternative was considered to exist. However, in second and third generation structural adjustment models both the World Bank and governments are trying to have special assistance to the social sectors, for example, built in to the programmes. Also, in subsequent stages of these programmes the actors actually approach changes in existing structures, which from the political view is considerably harder than correcting exchange rates and reducing borrowing and budget deficits etc. The nature of the results this achieves remains to be seen. The best solution for the crisis countries would be to start with poverty-oriented development programmes and then build in to them those parts of the structural adjustment programmes that can be accommodated.

So far, structural adjustment programme assistance has taken the form of commodity support and balance of payments support, partly within the framework of the so-called special programme for assistance (SPA) which aims to mobilize extra resources for the poorest countries. A recent evaluation of the SPA programme (Review of Sweden's Contribution to SPA-1), states there is now greater awareness that the economic reform programmes are a necessary, but not adequate, precondition for sustainable development in the SPA countries. In theory, the need for more integrated efforts, based on more poverty-oriented programmes, has been accepted, but no results have yet been shown in practice.

In recent years between 40% and 50% of the direct allocations to Mozambique and Tanzania have consisted of commodity support. This has mostly helped existing industry to utilize more of its production capacity, but has hardly contributed to a restructuring of the economy. In these countries and others, so-called equivalent value payments for commodity support have become an important source of budget financing, creating a new form of dependence on development assistance.

The following are some of the recommendations that emerged from the evaluation of special assistance to Africa.

- Continued and increased debt-relief activities.
- Less Swedish assistance should go to international organizations which pass the contributions on in the form of loans, thereby increasing the burden of debt carried by recipient countries.
- No further contributions to the IMF's ESAF programme.
- Joint financing with the World Bank should be avoided. Parallel financing is preferable.
- Support may be payable to sectoral adjustment loans, but only in sectors where SIDA has substantial know-how and can influence the dialogue.

By virtue of the fact that they generate change, the structural adjustment programmes also help to create opinion. In the wake of economic condi-

tionality the demand for political conditionality has been created in the assistance donor sphere, often in the form of calls for the introduction of multiple party systems. At the same time, movements promoting more pluralism, popular influence and democracy have emerged in countries with structural adjustment programmes, often opposing the effects of these programmes. How can we use development assistance to support the democratic forces in the recipient countries, forces that do not always agree with the structural adjustment programmes? Is there a contradiction in supporting on the one hand programmes that often require a responsible government to use authoritarian methods to implement change, and supporting on the other hand movements, organizations and institutions which increase pluralism and popular influence and which are critical of the effects of the structural adjustment programmes?

Swedish support of structural adjustment programmes should be seen as a part of the short-term survival assistance provided to countries in crisis because imbalances in their economies must be rectified before any kind of long-term expansion is possible. The World Bank's current view is that structural adjustment programmes are just a necessary but inadequate condition for sustainable expansion. Sweden should gradually, and at the pace conditions permit, transfer funds from commodity support and balance of payments support under the structural adjustment programmes to more poverty-oriented programmes.

The main purpose of structural adjustment programmes is to stimulate production and exports, one effect being to give countries a better chance of repaying their foreign debts. Assistance to the structural adjustment programmes has helped to create better economic balance, but has yet to achieve very much when it comes to structural change. By and large, all the major donors give assistance to the parts of the structural programmes that promote growth (primarily commodity support and balance of payments support). Extensive assistance from other sources would make it easier to gradually reduce the assistance from Sweden without creating problems for the recipients. The resources thus freed should be channelled into direct poverty alleviation. This kind of activity ought to have better chances of success in the environment created by the liberalizing effects of the structural adjustment programmes and by production increasingly controlled by market forces. The need for this kind of activity is also growing because market forces, while they provide a stronger dynamism, also create more stratification. In the African environment this will result in an increase in the number of poverty-stricken people unless direct counter-measures are taken.

What is required within the framework of the structural adjustment programmes is assistance which both stimulates growth and tackles the poverty issue. Growth cannot be created in the modern sector alone. The poverty-oriented assistance discussed here also aims to help the poorer groups of the population, first and foremost the small farmers, to increase

their production and productivity and thereby contribute to the growth process. Educational support and improved health are other prerequisites for growth.

It will always be easier for production-oriented sectors to attract both internal and external resources, while this will be more difficult for the social sectors. In the light of the relatively gloomy forecast outlined in the introduction of this document, it should be self-evident that the main focus of assistance channelled through SIDA to these countries be on measures to counter poverty, even if this more difficult and requires greater capacity.

Development assistance – the economic and political conditions

THERE HAVE ALWAYS BEEN conditions attached to development assistance. When the debt crisis was triggered at the beginning of the 1980s, banks and governments demanded guarantees that their outstanding loans be repaid. This in its turn was an important reason for the IMF and the World Bank to start including macro-economic conditions in both the IMF stabilization agreements and the World Bank's structural adjustment programmes. These conditions increased in number and in their detail. Zambia's and Mozambique's latest structural adjustment documents, the so-called Policy Framework Papers, contain over 100 conditions, most of which are to be met in three years or less. Even if these documents are accepted as originating with the governments of these countries, they were developed under very considerable influence from the IMF and the World Bank. The governments of recipient countries had very limited scope for alternatives.

Because the bilateral aid donors supported the IMF and the World Bank line at a time when the UN bodies were weak, the dominance of the Washington-based institutions on the African macro-economy became very powerful.

At present it is the IMF and World Bank that have formulated most of the macro-economic and sectoral conditions. If Sweden is to begin to impose its own conditions, the number of conditions the recipient country must meet will increase, as will the risk that the conditions will be even less congruous than they are at present. Imposing further conditions may reduce the effectiveness of assistance.

If Sweden does not set its own conditions it has the opportunity of supporting those of the IMF and World Bank, as it has done in most crisis countries. Commodity support, balance of payment support and assistance used to repay recipient countries' matured debts to the IMF and the World Bank are the most important forms of assistance with this objective. As have a number of other countries, Sweden has directly or indirectly supported the objectives and conditions of structural adjustment policies. At the same time, Sweden has carried on an active dialogue with the World Bank (and, less frequently, with the IMF) to bring its influence to bear on conditions and policy, particularly for areas and sectors where Sweden has specialist know-

how or interests. This dialogue has had tangible results in several crisis countries. However, in terms of volume, development assistance has been dominated by the above-mentioned forms.

The crisis and poverty-oriented development assistance

HOW TO REACH the poorer groups in recipient countries is one of the "eternal" questions of development assistance. In the last decade the focus on issues related to macro-economic equilibrium and structural adjustment programmes has overshadowed the poverty perspective, even in the crisis countries. As a result of this concentration on the macro-level, the élite of the state apparatus increasingly dismiss poverty-related issues from their thinking and actions. This trend is exacerbated by the use of macro-indicators to evaluate the results of macro policy. However, over the last two years the World Bank and others have drawn attention to the fact that the measures contained in the stabilization and structural adjustment programme are detrimental to the poorer groups, and more consideration will be given to the distribution effects of these programmes.

"Who cares for the poor?" is a particularly relevant question today, both in general and for the crisis countries in particular. The governments of crisis-torn countries tend to make well-phrased pledges about the problems of their poor, but forget them when it comes to allocating resources and setting priorities. One is forced to admit that assistance donors are often much more concerned about the poor than the governments of the countries the poor inhabit. This becomes even more noticeable in times of war and conflict. It goes without saying that this indifference, the absence of priority and the lack of proposals for poverty-oriented projects has an adverse effect on the flow of assistance.

The state crises makes it more difficult to reach the local level through the state apparatus. Low pay levels mean that many people simply cannot afford to spend more than part of their working hours at their places of work. This, taken together with the problems mentioned above, has led to a severe reduction in the government's capacity to produce services at the national level, let alone at the local level. Budgetary cuts have also led to major reductions in resources, with the social sectors being hardest hit. To give an example, Uganda's primary school system is now financed almost wholly from private sources – with obvious adverse effects on those who are unable to pay. In addition to measures to improve the capacity and effectiveness of the state apparatus, separate channels to reach the poor are also required.

It is important to see the large groups of poor people we refer to here, both in urban and rural areas, as an important resource for the economic development of their country. Growth, which is the ultimate goal of all efforts, must, to be sustainable, include a contribution from the poor groups. The emerging informal sector in the towns and the increase in peasants' food

production are examples of this. Poverty-oriented assistance must also aim to make it easier for the poor to take part in productive activities. This may involve improving highways, and providing local-level storage facilities and credit facilities which will help peasants produce and market their goods. We need to redouble our efforts and be more innovative in designing programmes to promote economically sustainable activities at the local level. They must also be based on substantial local level responsibility.

We propose that more assistance be provided through SIDA to the education and health sectors of countries in crisis. They have been hit hard by crisis and by the effects of structural adjustment. These sectors are particularly important to the most vulnerable groups in society, and adequate levels of education and health are also essential to long-term growth.

At the same time, the forms which increased support should take must be examined with a view to avoiding the perpetuation of unsustainable subsidy levels. Once again, the goal must be to find a sustainable level of development in these sectors. The financing must be reviewed, an acceptable state role must be defined and studies must be made of issues related to the choice of technology etc. In the health sector for example, it may be more cost effective to use and retrain the traditional doctors and midwives currently manning the service than to build up new structures with new staff.

In the spirit of this change in role perspective, more reliance should be placed on the resources and abilities of local communities to resolve their own problems. The donors' task will then be more in the nature of supporting local initiatives, supplementing existing resources and making assessments of viability. The role will become catalytic and process-oriented.

All in all, the above approach makes considerable demands of the donor. It is not an easy matter to increase poverty-oriented assistance in the current situation in the crisis countries. No general statement can be made on the possible outcome. Such a forecast must be based on a detailed analysis of the circumstances in each country.

The crisis and the environment, population growth and women

AS WE HAVE BEEN UNABLE to study these aspects of the crisis in any depth, we shall make no more than a few brief comments here.

The SIDA report "Environment, Poverty and Development" noted that poverty increases the destruction of the environment, even if a direct relationship cannot always be shown. Further, population growth is emphasized as a fundamental cause of environmental degradation and poverty.

The crisis has worsened poverty, thereby making the risk of accelerating environmental problems even greater while it has reduced the crisis countries' capacity to deal with these problems. The structural adjustment programmes do not place environmental issues high on their list of priorities. Here, SIDA can endeavour to ensure that environmental issues are not entirely overshadowed by structural adjustment programmes, and that the

crisis countries are given some national capacity to deal with environmental issues. The above-mentioned report's proposal for administrative support in the environmental field and assistance in analyses and planning apply, of course, to the crisis countries. A three to four percent population growth requires a corresponding GDP expansion rate if negative economic growth is to be avoided. It goes without saying that this is a heavy burden for these countries with their weak economies. As a matter of the greatest urgency, efforts in the population field should be intensified in these countries.

The effects of a crisis strike hard at women, whose position in crisis countries was already weak. Women and children are among the hardest hit groups in society, not least in the urban communities. They are also the first to be affected by cuts in the social programmes. SIDA should continue to monitor the aspects of structural adjustment programmes that concern women and assistance programmes that alleviate the situation of women and children in the crisis countries.

The crisis countries risk running foul of a long-term vicious circle of declining economy, shrinking resource base and high population growth unless consideration is given to these so-called long-term critical issues in the package of measures for structural adjustment.

The crisis and growth

HALTING THE CRISIS in the countries affected requires more economic growth. In the final analysis the structural adjustment programmes also aim to stimulate growth, incorporate these countries into the world economy and increase their foreign currency earning capacity. Current assistance to these countries places very strong emphasis on growth. Much of the very large commodity support and balance of payment support components which dominate structural adjustment programmes today goes towards utilizing and extending production capacity in the modern sector and for the import of strategic commodities such as oil, artificial fertilizers etc. This support finances an import mix that makes it relatively easy to combine the interests of assistance and trade. It is therefore easiest to find assistance donors for these components.

It is self-evident that support of the productive sectors, namely industry and agriculture, is important in stimulating growth. In the crisis countries it is the development of the agricultural sector that is decisive in the long term. The industrial sectors often suffer from over-investment or misguided investments. Increasing the productivity of African peasants and farmers is perhaps the most important measure for stimulating long-term growth in the crisis countries. It also allows large numbers of the poor population to take part in productive activities. The question here is what part is to be played by development assistance in general and Swedish assistance in particular.

The transfer from planned to market economy limits the state's role in the productive sectors. Non-governmental actors will take over a large part of the

activities in these sectors. The role of the state will move more towards creating favourable conditions for production, the so-called enabling environment. Development assistance should also be more clearly oriented towards helping generate the conditions required for production. This view can be clearly seen in the latest Agriculture Division strategy.

As mentioned earlier, poverty-oriented assistance includes factors that can promote production increases among the peasants of these countries. This includes, for example, help in expanding regional capacity for agricultural research, something which has been neglected for far too long, and aid to rural infrastructures, for land legislation, agricultural support institutes, credit facilities for small farmers etc.

When it comes to industry, SIDA should concentrate on grants for creating favourable conditions for production. This will be made easier in future by the inception of the new organization for industrial support.

In the perspective of growth, increasing the mobilization of local resources is also important. Domestic savings in these countries have been very meagre in the last decade. The revenue side of national budgets has been neglected. More effective tax systems, customs and fee systems etc. are necessary. Administrative support can make important contributions in these areas.

The Programme of Action

Debt-related issues

CONSIDERABLY MORE DEBT relief than hitherto is essential if other crisis adjusted assistance is to be meaningful. The crisis countries' debts are very high in relation to their gross domestic product. Mozambique's debt is five times its GDP, Tanzania's is double its GDP, and Zambia's is 1.5. Debt servicing is also far above an acceptable level, between 40% and 80% for most of the crisis countries. A high proportion of the crisis countries' debts are to multinational lenders, loans which, under the rules set up by these institutions themselves, cannot be renegotiated, but must be repaid.

In recent years a number of international initiatives have been taken to alleviate the debt burden of the developing countries. They include the Special Programme for Africa (SPA) under the auspices of the World Bank, which aims to mobilize extra resources for the poorest countries, the Brady Plan and the Trinidad Plan. These are initiatives aimed at renegotiating loans, softening loan conditions and writing-off debts. The efforts made so far are not enough. Most of the people involved will admit, off the record, that these countries will never be in a position to repay their debts. Meanwhile renegotiations continue in the so-called Paris Club, and new loans replace debts to the IMF and the World Bank. Some bilateral assistance goes towards repaying the crisis countries' matured loans to the IMF and the World Bank. A large number of the key people in the ministries of finance of these countries have to spend most of their time on debt servicing and negotiations. The debt burden also means that any increase in exports may be subject to 100% marginal tax because everything should go to debt servicing.

In a document submitted to the government in 1990 SIDA proposed a number of measures for the hardest-hit countries. Progress in this matter was hampered by the differing opinions held by development and finance policy interests in the donor countries, including Sweden.

A special SIDA group is currently preparing further proposals on debt issues for the poorest countries. Concrete proposals on debts will not be presented until after this report is published.

The role of assistance in creating the conditions for production expansion – the “enabling environment”

THE TERM “ENABLING ENVIRONMENT” signifies measures to facilitate the production of goods and services. It is often used to refer to the private sector, but as a general concept it also means the creation of an environment where both public and private activities may be carried out on the most reasonable possible terms.

As discussed earlier in the chapter on crisis and growth, the new role allocation between state and other economic actors currently emerging in the crisis countries also affects the role of development assistance. Central authorities play a more supportive than implementing role. The enabling environment has a great deal to do with institutional structures.

The changed role of development assistance in the production sectors must be a function of the changes in roles that take place in each crisis country. It mainly affects the industrial and agricultural sectors and therefore the Agriculture Division and the planned division at SIDA which will administer assistance to the public administrations of developing countries.

The following measures are proposed.

1. To define the real meaning of the term “enabling environment” this concept should be analyzed in every crisis country, particularly where SIDA is involved in the productive sectors. Each Development Cooperation Office should be instructed to analyze the implications of the above-mentioned role changes and the effects on development assistance in “its” country.
2. The Agriculture Division should proceed on the basis of its work on general strategy and redefine the role of agricultural sector assistance in each crisis country in which it operates. This work should be carried out in co-operation with the respective Development Cooperation Office and on the basis of the analysis proposed in point 1 above.
3. The new division working in the public sector should be given the corresponding assignment of defining SIDA’s tasks in trade and industry-oriented assistance.

Developing knowledge and building institutions

THE CRISIS HAS WEAKENED the institutions in the countries affected. Qualified staff leave and apply for work elsewhere – within or outside the country. A couple of years ago almost 4000 Zambian upper-secondary teachers applied for work in Botswana, and 430 physicians had left the country. Some of the reasons given included low pay, deteriorating professional environments, inferior educational opportunities and uncertain future prospects.

The crisis also affects staff support and the conditions for improving knowledge levels. Traditional personnel assistance is being increasingly

questioned, both in terms of effectiveness and cost. The crisis has led to new demands being made on the forms and content of assistance for developing knowledge. Institutional cooperation has become an increasingly common form of cooperation.

The development of knowledge and institutional support is very strongly affected by national cultural characteristics. Authoritarian and centralized forms of organization are common, as are appointments based on other merits than competence. The perception of the authorities' and companies' *raison d'être* may often differ from our own. These circumstances place considerable demands on the assistance donor's knowledge, understanding and ability to empathize. Administrative assistance plays an important part in improving the efficiency of public administration. So far, SIDA has worked on three levels. They are:

- helping to design policy, guidelines and methods for the transfer from a planned economy to a more market-oriented economy,
- co-operation between central government institutions such as central banks, national statistics offices, national audit offices etc.,
- changes in company management and the systems and organizations of public sector administration, including state-owned companies.

In the future, more support will be given to organizations for the promotion of trade and commerce.

In many countries, local and/or regional institutions or individuals can be used instead of bringing in expertise from industrialized countries. More use should be made of this possibility in development assistance.

SIDA has produced a strategy for its work on developing knowledge, "Competence Development Strategy for Programs Supported by SIDA" (1989), which also recommends a concrete method for dealing with these issues in development assistance.

Meaningful development of knowledge and institutions in crisis countries requires the issues of pay level and incentives to be resolved so that employees can afford to spend regular working hours at their places of work.

Assistance in the form of so-called "gap fillers" may be justified in a crisis situation, particularly in strategic functions.

The following measures are proposed:

1. Wherever possible promote institutional cooperation in a long-term perspective. Make resources available for the creation of a broad area of contact with a broad-based professional content. Recipient institutions must assume responsibility for the process of change. External forces cannot compel countries to accept change. Assistance should support domestic processes and make very clear the circumstances and conditions to be met if positive co-operation between institutions is to be achieved.

2. Make a detailed analysis of the availability of institutional resources in the broad sense in each sectoral area, foremost in Sweden but also in the other Nordic countries and elsewhere, including Africa. Methods of stimulating and developing cooperation between institutes should be considered by every sector division, guided i.a. by the experience gained by the new division working with public administration support.
3. Invest more resources in the development of knowledge and competence in planning and preparing assistance work. At least as much weight should be placed on this aspect as on the technical and economic aspects. Preparatory work should first consider the organizations involved and their capacity, and then proceed to the enterprise to be supported.
4. Use development assistance to strengthen and encourage an exchange of experience between local and regional level institutions in similar areas.
5. Make a detailed survey of local and regional consultants, experts and institutions, and make more frequent use of them. Encourage links between them and their Swedish counterparts in specific assignments.
6. Take every opportunity to co-opt local staff to foreign consultant teams in advisory roles to ensure a lasting build-up of knowledge and competence. This will require the local team to be given special benefits and resources.
7. Wherever possible, in the spirit of the role strategy, have the local organizations assume as much responsibility as possible for the preparation of plans and programmes. Consultant or staff assistance should be catalytic and method-oriented, and should not take over the operation.

Assistance for social sector support and poverty relief

THE COUNTRIES IN crisis urgently need more resources, which is an indication that Swedish development assistance to these countries should place more emphasis on the growth objective. At the same time this objective and the support for structural adjustment programmes have interested most donors, led by the World Bank. Poverty-orientation has lost its central position in development policies and development assistance in general, although the World Bank's interest has been rekindled in the past year. This argues for more Swedish assistance being targeted for the support of direct measures to alleviate the plight of the poorer groups in the crisis countries. Direct assistance to combat poverty is often small-scale, decentralized, local-level and involves the social sectors. Under the present assistance system and the SIDA organization, all these components create difficulties by virtue of the

fact that they are more administration-intensive per disbursed krona than, say, balance of payments support, commodity support and major infrastructure assistance or other projects. For this reason, a change of direction in assistance to channel a greater proportion of the assistance to direct poverty relief requires either a greater administrative capacity, reorganization, or a reduction in disbursements.

External assistance to the local level also requires a domestic structure with an adequate capacity, which can be strengthened and improved by development assistance. This kind of assistance program cannot be implemented on a large scale without genuine interest from at least one central institution in the recipient country. If there is some opposition to development assistance, the work may be carried out as individual, preferably local-level, projects, but this approach cannot pervade an entire cooperation programme. Work on country-specific programs must make an analysis of circumstances at both the national and local levels.

As the SIDA report on environment, poverty and development shows, the connections between environmental degradation and poverty are complex. One of the report's conclusions is that the elimination of extreme poverty is sometimes necessary before environmental degradation can be halted. The report also concludes that in many cases environmental care work coincides with efforts to improve the lot of the poorest people in the developing countries. Further, the environmental objectives of development assistance also motivate an increase in investment in direct poverty-oriented assistance.

The following are some of the steps that should be taken.

1. Assistance should be provided for rural recovery in the aftermath of the war in Angola and Mozambique, with schools, health clinics, wells and other parts of the infrastructure as the primary targets. The assistance requirement will be substantial, while the capacity to receive assistance is limited. The latter must be a local operation, and cannot be run by external bodies. The principal kinds of assistance required are equipment and transport.

Rural reconstruction is a prerequisite for the rapid recovery of agricultural production in these countries, as it can help several million people earn their own livelihood and possibly also produce a surplus within the framework of family-based agriculture.

2. In the wake of crisis and liberalization, the informal sector has undergone rapid expansion and diversification, including highly disparate activities ranging from wholly illegal operations such as smuggling and black market currency dealing, through growing fruit and vegetables to sell on the open market to handicraft production, repair shops, ice-cream production, street vending and so on.

Assistance for this sector must be structured to avoid excessive management and control, as this would deprive these activities of their

inherent dynamism. At the same time it is natural that when production in the informal sector expands, it transfers to the formal sector. A report from Tanzania estimated that in 1986 the informal sector answered for 30% of the official GDP, and the figures reported were therefore 30% low. Assistance in the form of easily-available de-bureaucratized credits, counselling etc. can promote this kind of change, but the organizational difficulties must not be underestimated.

3. More support, targeting local-level projects, may be provided to non-governmental organizations (NGOs). However, there have been substantial increases in the amount of assistance to these organizations in recent years and it is important to be aware of the risk that in order to increase their own capacity these organizations may increase their own administrative organizations and become "mini SIDA's". The NGOs may also inadvertently further erode the capacity and legitimacy of the state apparatus in areas such as the health service and education, where the aim of Swedish development assistance policies is to increase this capacity.
4. The erosion of the social sectors, in particular education and the health service, has devastating effects both in the short and long term. Assistance to these sectors should therefore be stepped up.

However, the situation in the crisis countries means that this cannot be achieved in an effective way unless the pay problem is tackled. It should be possible to provide assistance in the form of pay increases or other incentives to key groups. This approach requires agreement to be reached with the recipient country's government, and must not be linked to key occupational groups or connected with Swedish projects/programmes. If deemed necessary, this form of assistance can be linked to conditions which must be met by the recipient country if Swedish assistance is to have the desired effect (see also the chapter on assistance for operational expenses and wage support.)

As the crisis deepens, the issue of the forms of finance used for health care and education becomes increasingly urgent. It should provide the recipient universities and countries with the resources they need to analyze the effects of various forms of financing. The possibility of transferring responsibility to the local level should also be examined.

5. Rural infrastructure assistance for bridges, roads, warehouses etc. will improve local agriculture and transport and thus pave the way for more extensive economic activities. Here too, responsibility must be given to the local-level resources and institutions with the role of assistance being to provide equipment, easily-available credits, counselling etc. and not to take over the activity.
6. SIDA should speak in international fora in support of an increase in assistance to the social sectors, placing particular weight on the

poverty aspects and encouraging cooperation with other donors.

7. To intensify poverty relief, cooperation programmes with the crisis countries should be analyzed and designed from the perspective of the interested parties and the target groups.

Democracy, human rights and pluralism

ALL THE AFRICAN countries in crisis are single-party states, and most of them are moving towards multi-party systems and increased political pluralism. In several of these countries the "state parties" are led by the same people who have been in power since independence, with strong interests in the past. There is no clear-cut regulation of people's rights and duties in the community, rules and routines are vague and there is considerable scope for the abuse of power.

In recent years the question of democracy and human rights has occupied a more prominent position in the international debate on development assistance. There are several reasons for this. In the wake of, and partly as a result of, economic liberalization, the demand for political liberalization has arisen. Events in eastern Europe have affected both the internal debate and the attitudes of donors. There has been growing criticism of one-party systems, press censure and circumscribed freedom of expression and other liberties. A development towards democracy is one of the primary objectives of most donor countries. Several donor countries propose that democracy in the recipient country is to become a condition for development assistance.

This situation raises a number of questions, the first being what is meant by democracy. The content of democracy in the African context requires further discussion. Multiple party systems are not the whole answer. It is important to make room for more opinions and for more general collective participation in the process of development. More "openness" and insight into the exercise of power are also significant factors, as is respect for internationally-agreed human rights. Another question is what kind of external demands for democracy can be made in the context of development assistance. Conditions concerning changes in the political system are even more difficult to implement externally than, for example, organizational or technological changes. And we know from decades of development assistance experience that even the latter is difficult. Sustainable political changes must be generated by internal processes. Development assistance can support these processes by supporting groups, institutions and activities which promote pluralism, openness and popular participation. Conditions for this are more favorable today than they have been in the past.

Our actions towards countries that still fail to satisfy the demands for democracy that were recently reaffirmed in earnest, but where democratization is progressing along the right lines, is yet another issue. Our opinion is that in the circumstances it is not reasonable to reduce or discontinue

assistance on the grounds that we have now given democracy a higher status. However, a larger proportion of the resources made available could be used to support a move towards democracy in these countries.

It is sometimes claimed, not least by African leaders, that multiple party systems are not suitable in Africa. We have yet to see convincing evidence of this contention. Recent elections in Cape Verde and Sao Tomé ousted the old regimes even though they were considered to have run their countries relatively well. When the peoples of these countries were given a choice, they opted for change. One can hardly expect such manifestations of the will of the people to be expressed in a one-party system.

The most difficult practical problem for support for democracy is to find suitable groups, institutions and organizations that are working for a higher degree of democracy and the preservation of human rights. Efforts in this area must have a long-term perspective. The risk of "suffocating" or "taking over" new organizations must be borne in mind, together with the risk of being duped by clever "democracy" entrepreneurs.

Since 1987/88 separate activities have been run within SIDA on human rights and the support of democracy. The 1990/91 appropriation for this work totalled SEK 50 million, a substantial part of which goes to alternative legal aid and other human rights measures, often in the form of support to national, regional and international autonomous human rights organizations. Targeted support for democracy is payable for, i.a. judicial reform, local autonomy, support of co-operative, trade union and other organizations and for cultural activities and the exchange of knowledge and visits.

Continued assistance for the promotion of democracy, "openness" and human rights can be used as follows.

1. Supporting forces in society that work for more openness and more debates on important social issues.
2. Establishing which local NGOs, including women's and cultural groups, independent trade unions, professional associations etc. that exist and can be given support.
3. Supporting the independent mass media.
4. Supporting intellectuals and their environments, primarily the universities. This support should be arranged in cooperation with SAREC.
5. Increasing support for exchanges and visits to Sweden to demonstrate the potential for extended influence and popular participation. There is an important part for Swedish NGOs to play here.
6. Working to prevent the question of continued assistance being linked to general conditions concerning changes in the recipient country's political system. It may, however be more reasonable to link conditions to human rights issues.

Corruption and development assistance

THE CRISIS IN AFRICA has led to an increase in corruption. Two contributory factors are the drastic reductions in real wages, particularly in the municipal services, and the new business opportunities emerging from the liberalization of economies at a time when control mechanisms are weak or non-existent.

The erosion of the legitimacy of the state has also fuelled the existing view of the state apparatus as an instrument for the accumulation of private wealth. The state apparatus should be reduced to cover fewer areas. But in its operative areas it should be strong, efficient and serve the interests of the general public. This "de-privatisation" of the state apparatus is difficult to achieve because it involves attacking deep-rooted perceptions of the nature of the state as such. However, this change is essential if reasonable national development is to be achieved, even with a market economy.

Corruption may be divided into three categories. The first is pure survival corruption or the abuse of one's position: a sack of sugar disappears from a lorry and is shared among the people involved; teachers do not teach in school but charge for extra lessons on the questions to be set in examinations; the customs officer takes a handout to turn a blind eye to a crate leaving the harbour. The second category may be termed pension corruption. Government officers, politicians and political party workers discover that the state will not give them a secure old age, so they have to make their own arrangements, for example by using their present influence to acquire, or jump the queue for, land or a business to live on later in life. The third form is pure organized and large scale corruption to accumulate wealth.

Crisis and liberalization has led to a sharp increase in corruption at all three of these levels in countries such as Mozambique and Tanzania where public morality, controls and ethical standards for leadership used to be restrictive factors. It may be generally said that corruption causes an increase in social demoralization, the fitful and lengthy processing of matters in the government apparatus and putting scarce resources to the wrong use.

Experience tells us that once it has a foothold in a community, corruption is hard to eliminate, particularly when party and state leaderships are also corrupt. We must accept that development assistance in crisis countries will have to operate in a corrupt environment for a long time to come. There are, however, some factors which should reduce the propensity for corruption, one being a level of civil service salaries that are enough to live on, another being a more open system and effective control mechanisms. People must be held responsible and abuses must be exposed and be actionable in law.

Although development assistance can strengthen these factors, it cannot solve the basic problems, neither by wholly taking over certain operations, nor by setting general conditions which the counterpart cannot and possibly will not meet.

In the light of the above, what approach should we adopt to corruption in development cooperation?

1. SIDA should include in their project agreements provision for annual audits. Particular attention should be given to the administration of commodity support. Every extension of ongoing agreements and/or new agreements should contain a clause on auditing. The audit may, on occasion, be carried out by local firms.
2. Proved cases of corruption must never be accepted without sanctions. Yet it is common knowledge that even when suspicion of corruption is particularly strong, it is still very difficult to prove. SIDA should withdraw from cooperation with institutes, authorities and companies which come under strong suspicion, even if decisive evidence cannot be produced. In situations of this kind it should be incumbent upon the recipient to prove that there is no corruption.
3. The recipient countries' own auditing authorities should be strengthened through public administration assistance or in some other way. Emphasis should be placed on accountability and more openness. At the local level, the intended beneficiaries of development assistance should always be informed of the amount of assistance donated and the form in which it was provided. SIDA can thus help create openness and control from beneath, i.e. by the people who would be deprived of increased resources by any irregular activities.
4. It may be necessary in some countries to refrain from working in certain sectors or areas of government administration because of the present risk of abuse. The national level politicians and authorities should be informed of our reasons for avoiding these sectors/areas.

Assistance for operating costs and wage support

THE 1980s SAW VERY substantial reductions in the real wages of public sector employees in crisis-hit countries. In Tanzania real wages in 1989 were estimated to be about 10% of real wages in the middle of the 1970s. The minimum wage is the equivalent of SEK 90 a month and food prices are perhaps half of those in Sweden. An Under-Secretary of State is paid the equivalent of SEK 400 – 500 a month. The minimum wage in Mozambique is the equivalent of SEK 80 a month. The recent increases in rates mean that half the pay of average income earners in Maputo is spent on electricity and water. In Uganda, medical staff pay is estimated to cover about 5% of their living costs.

Although this process began in the 1970s it was not until the second half of the 1980s that the situation became quite absurd; an effect of the macro economic measures considered necessary to stabilize the economy. Drastic devaluations have pushed costs up, the liberalization of trade has resulted in

a wider range of available goods at higher prices (although perhaps not necessarily higher than they used to be on the black market). Efforts to bring down the rate of inflation to a stated level have failed, and the ceilings in increases in budget expenditure and demands to reduce budget deficits give little margin for general pay increases.

Thus, low wages have become one of the greatest obstacles to improving the public sector. In order to survive, government employees are compelled to take up other income-earning activities such as growing vegetables to sell on the market, rearing chickens, keeping cows to sell their milk, producing ice cream at home which their children sell on the streets, using government, or their own, vehicles to run transport businesses, selling hospital medicine and school equipment, charging for teaching pupils outside school hours, taking bribes for stamping important documents and carrying out consultant surveys for development assistance donors (for example in the case of university teachers). People with desirable qualifications often transfer to the private sector or to embassies, development assistance offices and private organizations. (A secretary at an embassy in Maputo is paid more than the ministers in the Mozambique government). These businesses and organizations, by competing among themselves for a scarce resource, complicate the situation for the state by raising pay levels even higher.

For a number of years this has been one of the biggest practical problems facing development assistance donors, including SIDA. A number of measures have been introduced or discussed aimed at keeping staff in key posts in the public sector and development assistance projects and programmes. These issues have been under discussion in SIDA for several years. Under the guidelines issued in November 1988 the general rule is that SIDA should not finance local-level wage support. On the other hand, the recipient government is at liberty to use local currency generated by commodity support and balance of payments support to augment wages provided the country's official exchange rate is reasonable. The guidelines also state that more use should be made of local consultants in Swedish development assistance, but that, in principle, the services of government officers, with the exception of university staff, should not be purchased for consultant assignments.

This issue has been discussed in the OECD Development Assistance Committee (DAC), mostly in connection with the preparation of the principles for technical assistance. The draft principles currently under discussion in the DAC contain recommendations that assistance donors should help recipients restructure their public administrations and that local wage support could be payable, albeit for a limited period and following clearly-defined rules. The assistance donors should coordinate their actions in this respect.

What appear to be the simplest methods, i.e. a more rapid increase in budget expenditure or using assistance funds to finance key pay increases, have not so far been applicable. The former runs counter to the IMF /World

Bank's stabilization requirements and the second is in conflict with a fundamental part of the original concept of assistance, namely that development assistance shall be provided in the form of investments. Operational costs and, foremost, payroll costs in the course of a project must be the responsibility of the recipient. In practice, all kinds of running costs are often financed from assistance funds. In some cases local manpower with project-linked employment contracts have been paid by the assistance donor, e.g. by USAID in the Zambia family planning project. Thus, assistance donors have been hesitant about direct payroll financing, and the same applies to the governments of recipient countries. At the same time development assistance had for several years answered for large parts of the operational budget's financing, both as local currency paid by the companies that use import support and also in other forms by the so-called equivalent value funds. In 1988-90 this financing covered approximately one quarter of the operational budget in Tanzania. In Mozambique income from the equivalent value funds is equal to its aggregate tax revenues. However, the Mozambique government controls a mere third of these funds while the different assistance donors control the way the remainder is used. In these circumstances it is difficult to see the issue of whether or not to finance local wages as anything other than a development assistance policy matter. It underscores the dependence on development assistance and highlights its duration.

Instead of a sharp increase in government employees' wages, both governments and donors have in recent years been very inventive in creating benefits outside the pay structure. It is certain that most of these help government employees to survive, while some of them have somewhat dubious side effects.

Benefits and other peripheral activities are largely a substitute for the substantial pay increases which would allow public sector employees to support themselves on the earnings from their regular employment, which would mean that they could concentrate on the tasks that they are paid to do. This is the reasonable long-term solution, and requires, among other things, a reduction in the number of public employees.

But a very large proportion of these public employees are teachers or health service staff. Neither of these categories can be reduced if principles such as primary education for all are to be maintained. Privatizing and closing government companies in Tanzania and Zambia may, however, reduce both the number of government employees and the budget burden in the form of government subsidy to state-owned companies.

The issue of government employees' pay and benefits is closely linked to the entire question of public administration support. What role should Sweden assume in the crisis-hit countries? This must also depend on the purpose for which government organizations are used. If these organizations are controlled by forces which use them to slow changes which we consider to be essential, should we then make the instrument these forces use – the

government organizations – more efficient? Or should we take the long-term view and assume that certain functions will always be necessary and should be reinforced now in anticipation of a government with a different orientation?

In all likelihood, it is difficult to transfer public administration support between the institutions according to whether the heads and responsible ministers in office at the time are receptive to change or not. Instead, we shall have to channel our support to certain key functions such as central banks, national statistics offices and national audit offices.

Experience from Zimbabwe and other countries tells us that strengthening local-level administration is a more difficult matter. At the same time this is an area which is of particular importance in heavy bureaucratic environments such as Tanzania and Zambia. A study of UNICEF's support of district administrations as part of the anti-natal and child-care projects may possibly provide us with methods. The HESAWA water and sanitation project in Tanzania is another example, although it is so dependent on external resources that it can hardly be replicated throughout the country.

Behind these questions one can discern the fundamental issue of what kind of development we should channel assistance to, and the philosophical issue of the different ways to perceive the role of the public administration apparatus.

As mentioned earlier, the assistance donors pay a substantial part of the crisis country's operational budget expenditure through the local currency that commodity support generates. It is not logical to separate payment of local-level wages and other measures aimed at improving operational and maintenance conditions, provided wage reinforcement is channeled through the recipient country's institutions, thus avoiding a direct employee relationship with SIDA. Methods and target groups for wage support must be agreed with the government of the recipient country. Wage reinforcement should be carried out within the frame of general pay policy. At the same time, in practice all local-level financing means that untied commodity support is given to the country. To avoid helping generate higher inflation, a programme for financing local-level costs must be discussed with the recipient in a broader macro-economic perspective.

1. In some cases, and under certain conditions, SIDA could finance pay reinforcement for clearly-defined categories or groups of local-level staff. The resources used for this purpose must not be linked to SIDA-supported projects or programmes but to specified staff groups within the framework of a general pay policy. Agreements between donor and recipient should include a schedule of the stages in which the recipient will take over the responsibility for payroll financing, despite the very real risk that the recipient may not be able to manage this kind of responsibility.

Support for payroll costs must not help perpetuate an overdimensioned state apparatus. Necessary cuts in the public sector

should normally precede pay adjustments. The structure of assistance to augment pay levels must be in line with the macro-economic context in order to prevent it fuelling inflation.

2. As a first step, SIDA should convince the authorities responsible for assistance in all recipient countries where this issue has been brought up to make a survey of donors' support of pay levels and draft joint guidelines for donors' actions. SIDA should offer to provide resources for this work.
3. Sweden should press the issue of joint rules for assistance donors vigorously in the DAC (the OECD's Development Assistance Committee).
4. SIDA should pursue the issue of joint rules for local-level employees and local-level consultants in all recipient countries covered by the donor country group, to avoid competition between donors presenting further obstacles to government organizations' efforts to retain their employees.
5. SIDA should promote wage support systems that make it easier to recruit trained staff in rural areas ("rural supplements", better housing etc.).

Development assistance – the economic and political conditions

AS A BRIEF SUMMARY of the general debate on conditionality was given in the section on Swedish development assistance and structural adjustment programmes, it will not be repeated here.

At present it is the IMF and the World Bank that have formulated most of the macro-economic and sectoral conditions. If Sweden were to begin to impose terms of its own, the number of conditions the recipient country must meet would increase, as would the risk that these conditions will be even less congruous than they are at present. There is a risk that a proliferation of terms and conditions will reduce the effectiveness of development assistance.

If Sweden does not set its own terms and conditions it can support the conditions set by the IMF/World Bank on each occasion that decisions are taken on Swedish commodity support, balance of payments support and other assistance used to repay recipient country's due debts to the IMF and the World Bank. As a result of the growing number of terms and conditions imposed by assistance donors, the external management of the process of change in the crisis countries has become very strong. At the same time the total responsibility for the outcome and the consequences rests with the appropriate institutions in the recipient countries. Experience of the conditions set, in practice, by the IMF and the World Bank in the so-called Policy Framework Papers and other documents which were, in principle, set by the recipient countries, shows that the time frame is far too short and the number

of demands far too many. The governments of the recipient countries require extensive policy overhauls. The time given for this work is often substantially less than the time that the same job would require in the industrialized countries, even with their smoothly-operating economic-political instruments.

At the sector level, the World Bank is the institution that applies conditionality most extensively. In some crisis countries, Sweden's knowledge of certain sectors is more comprehensive than that of the World Bank. Experience from, for example, the educational sectors in Tanzania and Mozambique tells us that SIDA should carry on discussions with the World Bank to avoid i.a. the introduction of unrealistic conditions. Swedish conditions should be discussed in detail with the recipient country's authorities and should not simply be a matter of applying some of the World Bank conditions.

1. SIDA must continue to make independent examinations of the conditions set by the IMF and the World Bank. Accordingly, assistance to the structural adjustment programmes or sector programmes run in cooperation with the World Bank should always take the form of parallel financing, not joint financing.
2. SIDA should, where applicable, join forces with the recipient country to persuade the World Bank of the potential adverse effects of the conditions they propose. The basis for such action is the long-running co-operation between Sweden and the recipient country in that sector, as a result of which SIDA, by virtue of its experience, is well-equipped to endorse the recipient country's view in cases where it does not coincide with that of the World Bank.
3. SIDA should increase its development assistance intended to improve the recipient country's ability to negotiate on structural adjustment programmes with the IF and the World Bank.
4. Sweden should, on occasion, be able to set macro-conditions aimed at improving the direct poverty-oriented programmes and the social sector programmes. Here, efforts should be made to co-ordinate these terms and conditions with those set by other donors, to minimize the number of disparate conditions and avoid conflicting and contradictory conditions.
5. SIDA should promote the spread of information and knowledge regarding the process of change in crisis countries by means of special consultant projects and seminars, printing reports and giving other assistance in publishing documents. SIDA will thereby also help to create better equilibrium in the dialogue between the recipient country and the assistance donors on macro-economic conditions.

Country programming in crisis countries

THE COUNTRY PROGRAMMING system requires the recipient country to have a central planning system which can set priorities for resource requirements, allocate and, as required, reallocate resources on the basis of some kind of development plan. This capacity has become increasingly weaker in the crisis countries. More market orientation and liberalization also reduces the need for, and relevance of, traditional development plans and also increases flexibility. A more broad-based development assistance dialogue including, for example, the democracy issues, requires input from more sources than the finance and planning organizations in the recipient countries alone. The need for the planning security provided by the country programming system still remains, and it is still desirable from the donor viewpoint to have a centrally-located partner with which development co-operation can be discussed. The Ministry of Finance is still the body with which most of the issues in the development assistance dialogue may be discussed. The absence of properly-working planning departments in the sectoral ministries has made sector support difficult to co-ordinate in the crisis countries. In the light of these circumstances and others, SIDA should review its programming and dialogue structures with the crisis countries.

The Consequences of Crisis Adjustment for SIDA's Organization and Work Methods

The consequences for SIDA

IN MANY OF THE CRISIS COUNTRIES, development assistance more directly oriented towards poverty relief would involve a change in the present situation. It goes without saying that such a change must take place in stages, but if no objectives are met, then there is a risk that there will be no change at all. This process of change should follow concrete programmes of action drawn up for each crisis country. These programmes should be structured on the basis of the programme of action contained in this report. They should contain details of the measures which should be taken; when, how and by whom.

We consider it self-evident that the higher level of ambition involved in a greater degree of crisis adjustment must be accompanied by a greater degree of concentration. In recent years the profusion of "country frame" investments has accelerated with inter-sectoral assistance and other non-country programmed assistance. Powerful interests on both the recipient and donor sides work against this concentration. SIDA must improve its capacity to terminate its investments. This is the only way to clear space for necessary renewal. Long-term closure plans and other ways of phasing out programmes have been proposed. Priority should be given to the development of methods for closing down development assistance programmes.

Country-specific measures

AS MENTIONED above, country-specific programmes of action should be produced on the basis of this study. The Development Cooperation Offices in the crisis-torn countries should, both under their own auspices and with the assistance of local and possibly other external resources, take concrete action on some of the recommendations of the crisis report. The following surveys and studies may need to be carried out in order to provide basic material.

- a) Operational expenditure support (including the pay level issue) to social sectors – the survey to be carried out by the recipient country's

government, possibly with SIDA support.

- b) So-called "minimum requirement studies" of the type completed for the universities of Maputo and Dar-es-Salaam. The Development Cooperation Offices are to suggest areas for their respective countries.
- c) Charting the availability of local consultants, experts and institutions.
- d) Surveying the administration system at the national, regional and local levels. What has been done that could be used as an example?
- e) Charting local independent organizations, including women's and cultural groups and professional associations. What has been done that could be used as an example?
- f) Examining the way conditions can be created for increased production in sectors relevant to SIDA.

Summary

Some points of departure

THE FOLLOWING are the main points proposed in the strategy for SIDA assistance to the hardest-hit countries in Africa in the 1990s.

- 1) More orientation towards measures aimed at direct poverty relief, including assistance to the health service, education and local infrastructure.
- 2) More support for democratization efforts and work which promotes local and popular participation in the process of development.
- 3) Support for a more effective government organization within a more limited public sector.
- 4) Continued and extended work to bring about genuine debt-relief for the poorest countries.
- 5) Continued work on transferring the responsibility for development work to the recipient countries in accordance with the so-called role inquiry's perspective, and improve local-level competent institutions.
- 6) More local support for structural adjustment programmes and better coordination of the conditions linked to these programmes.

SIDA's assistance would thereby help create the conditions for long-term sustainable development which, i.a. provides the scope for production growth. This work is complicated by the consideration that development assistance must operate in an environment where short-term survival is the predominant objective at all levels; for individuals, institutions and states.

Some factors that motivate this direction in SIDA's development assistance to Africa may be stated as follows.

1. In the 1990s Sub-Saharan Africa will become an increasingly peripheral part of the world economy. The present strong dependence on assistance will persist and may increase.
2. The economic problems and their accompanying structural adjustment programmes have eroded the capacity and legitimacy of the state. To a considerable extent the crisis is the state's crisis. At the same time

there is no politically realistic alternative to the nation-state as an organization.

3. The trend of the 1980s that "approved" structural adjustment programmes as a condition for extensive development assistance will continue to apply to the crisis countries through the 1990s. The structural adjustment programmes will continue to be modified and the tendency to extend this condition to new areas will also continue.
4. Without very widespread measures stratification in society and the number of absolute poor will continue to increase.
5. The complex relationship between environment and poverty also justifies a more direct poverty-combatting orientation of development assistance.
6. Increased expansion is essential if the crisis is to come to an end. There is no contradiction between growth objectives and poverty orientation. Both are essential and it is the weighing-up of these two factors in both the short and long term, and the role of SIDA, that are under discussion here.

Proposals for the orientation of development assistance in various areas.

Debt-related issues

A SPECIAL SIDA group is currently at work on the draft of further debt relief proposals for the poorest countries. Concrete proposals on debts will not be prepared in advance of that report.

The role of development assistance in creating the conditions for production growth

1. To define the real meaning of the term "enabling environment" this concept should be analyzed in every crisis country, particularly where SIDA is involved in the productive sectors. Each Development Cooperation Office should be instructed to analyze the implications of the above-mentioned role changes and the effects on development assistance in "its" country.
2. The Agriculture Division should proceed on the basis of its work on general strategy and redefine the role of agricultural sector assistance in each crisis country in which it operates. This work should be carried out in co-operation with the respective Development Cooperation Office and on the basis of the analysis proposed in point 1 above.
3. The new division for public administration support should be given the

corresponding assignment of defining SIDA's tasks in trade and industry-oriented assistance.

Developing knowledge reserves and building institutions

1. Institutional cooperation should, wherever possible, be promoted in a long-term perspective. Make resources available for the creation of a broad area of contact with a broad-based professional content. Recipient institutions must assume responsibility for the process of change. External forces cannot compel countries to accept change. Assistance should support domestic processes and make very clear the circumstances and conditions to be met if positive co-operation between institutions is to be achieved.
2. Make a detailed analysis of the availability of institutional resources in the broad sense in each sectoral area, foremost in Sweden but also in the other Nordic countries and elsewhere, including Africa. Methods of stimulating and developing cooperation between institutes should be considered by every sectoral office, guided i.a. by the experience gained by the administrative sector.
3. Invest more resources in the development of knowledge and competence in the planning and preparation of development assistance work. Place at least as much weight on this aspect as on the technical and economic aspects. Preparatory work should first consider the organizations involved and their capacity, and then proceed to the enterprise to be supported.
4. Use development assistance to strengthen and encourage an exchange of experience between local and regional level institutions in similar areas.
5. Make a detailed survey of local and regional consultants, experts and institutions, and make more frequent use of them. Encourage links between them and their Swedish counterparts in specific assignments.
6. Take every opportunity to co-opt local staff to foreign consultant teams in advisory roles to ensure a lasting build-up of knowledge and competence. This will require the local team to be given special benefits and resources.
7. Wherever possible, in the spirit of the role strategy, give as much responsibility as possible to the local organizations in the preparation of plans and programmes. Consultant or staff assistance should be catalytic and method-oriented, and should not take over the operation.

Assistance for social sector support and poverty relief

1. Assistance should be given for rural recovery in the aftermath of the war

in Angola and Mozambique, with schools, health clinics, wells and other parts of the infrastructure as the primary targets. The assistance requirement will be substantial, while the capacity to receive assistance is limited. The latter must be a local operation, and cannot be run by external bodies. The principal kinds of assistance required will be equipment and transport.

Rural reconstruction is a prerequisite for the rapid recovery of agricultural production in these countries, as it can help several million people earn their own livelihood and possibly also produce a surplus within the framework of family-based agriculture.

2. In the wake of crisis and liberalization, the informal sector has undergone rapid expansion and diversification. Assistance for this sector must be structured to avoid excessive management and control, as this would deprive these activities of their inherent dynamism. At the same time it is natural that when production in the informal sector expands, there is a transfer to the formal sector. Assistance in the form of easily-available de-bureaucratized credits, counselling etc. can promote this kind of change, but the organizational difficulties must not be underestimated.
3. More support, targeting local-level projects, may, if necessary, be provided to non-governmental organizations (NGOs). However, there has been considerable increases in the amount of assistance channeled to these organizations in recent years and it is important to be aware of the risk that in order to increase their own capacity these organizations may increase their own administrative organizations and become "mini SIDAs". The NGOs may also inadvertently further erode the capacity and legitimacy of the state apparatus in areas such as the health service and education where the aim of Swedish development assistance policies is to increase this capacity.
4. The erosion of the social sectors, in particular education and the health service, has devastating effects both in the short and long term. Assistance to these sectors should therefore be stepped up.

However, the situation in the crisis countries means that this cannot be achieved in an effective way unless the pay problem is tackled. It should be possible to provide assistance in the form of pay increases or other incentives to key groups. This approach requires agreement to be reached with the recipient country's government, and must not be linked to key occupational groups or connected with Swedish projects/programmes. If deemed necessary, this form of assistance can be linked to conditions which must be met by the recipient country if Swedish assistance is to have the desired effect.

As the crisis deepens the question of which forms of finance are used for health care and education becomes increasingly urgent. It should

provide the recipient universities and country with the necessary resources to analyze the effects of various forms of financing. The possibility of transferring responsibility to the local level should also be examined.

5. Rural infrastructure assistance for bridges, roads, warehouses etc. will improve local agriculture and transport and thus pave the way for more extensive economic activities. Here too, responsibility must be given to the local-level resources and institutions with the role of assistance being to provide equipment, easily-available credits, counselling etc. and not to take over the activity.
6. SIDA should speak in international fora in support of an increase in assistance to the social sectors, placing particular weight on the poverty aspects and encouraging cooperation with other donors.
7. To intensify poverty relief, cooperation programmes with the crisis countries should be analyzed and designed from the perspective of the interested parties and the target groups.

Democracy, human rights and pluralism

THE FOLLOWING are some of the purposes of assistance in this area.

1. Supporting forces in society that work for more openness and debates on important social issues.
2. Establishing which local NGOs, including women's and cultural groups, independent trade unions, professional associations etc. that exist and can be given support.
3. Supporting the independent mass media.
4. Supporting intellectuals and their environments, primarily the universities. This support should be arranged in consultation with SAREC.
5. Increasing support for exchanges and visits to Sweden to demonstrate the potential for more extensive influence and popular participation. There is an important part for Swedish NGOs to play here.
6. Working to prevent the question of continued assistance being linked to general conditions concerning changes in the recipient country's political system. It may, however be more reasonable to link conditions to human rights issues.

Corruption and assistance

1. SIDA should make provision for annual audits in their project agreements. Particular attention should be given to the administration of commodity support. Every extension of ongoing agreements and/or new agreements should contain a clause on auditing. The audit may, on occasion, be carried out by local firms.

2. Proved cases of corruption must never be accepted without sanctions. At the same time it is common knowledge that even when suspicion of corruption is particularly strong, it is still very difficult to prove. SIDA should withdraw from cooperation with institutes, authorities and companies which come under strong suspicion, even if decisive evidence cannot be produced. In situations of this kind it should be incumbent upon the recipient to prove that there is no corruption.
3. The recipient countries' own auditing authorities should be strengthened by means of public administration assistance or in some other way. Emphasis should be placed on accountability and greater "openness". At the local level, the intended beneficiaries of development assistance should always be informed of the amount of assistance donated, and the form in which it was provided. SIDA can thus help create openness and control from beneath, i.e. by the people who would be deprived of increased resources by any irregular activities.
4. It may be necessary in some countries to refrain from working in certain sectors or areas of government administration because of the present risk of abuse. The national level politicians and authorities should be informed of our reasons for avoiding these sectors/areas.

Assistance for operating costs and wage support

1. In some cases SIDA could, under certain conditions, finance pay reinforcement for clearly-defined categories or groups of local-level staff. The resources used for this purpose must not be linked to SIDA-supported projects or programmes but to specified staff groups within the framework of a general pay policy. Agreements between donor and recipient should include a schedule of the stages in which the recipient will take over the responsibility for payroll financing, despite the very real risk that the recipient may not be able to manage this kind of responsibility.

Support for payroll costs must not help perpetuate an overdimensioned state apparatus. Necessary cuts in the public sector should normally precede pay adjustments. The structure of assistance to augment pay levels must in reflect the macro-economic context in order to prevent it fuelling inflation.
2. As a first step SIDA should convince the authorities responsible for assistance in all recipient countries where this issue has been brought up to chart donors' support of pay levels and draft joint guidelines for donors' actions. SIDA should offer to provide resources for this work.
3. Sweden should press the issue of joint rules for assistance donors vigorously in the DAC (the OECD's Development Assistance Committee).

4. SIDA should pursue the issue of joint rules for local-level employees and local-level consultants in all recipient countries covered by the donor country group to avoid competition between donors presenting further obstacles to government organizations' efforts to retain their employees.
5. SIDA should promote wage support systems that make it easier to recruit trained staff in rural areas ("rural supplements", better housing etc.).

Economic and political conditions in development assistance

1. SIDA must continue to make independent examinations of the conditions set by the IMF and World Bank. Accordingly, assistance to the structural adjustment programmes or sector programmes run in cooperation with the World Bank should always take the form of parallel financing, not joint financing.
2. SIDA should, where applicable, join forces with the recipient country to persuade the World Bank of the potential negative effects of the conditions they propose. This basis for such action is the long-term cooperation between Sweden and the recipient country in that sector, as a result of which SIDA, by virtue of its experience, is well-equipped to endorse the recipient country's view in cases where it does not coincide with that of the World Bank.
3. SIDA should increase its development assistance intended to improve the recipient country's ability to negotiate on structural adjustment programmes with the IMF and World Bank.
4. Sweden should, on occasion, be able to set macro-conditions aimed at improving the direct poverty-oriented programmes and the programmes aimed at the social sector. Here, efforts should be made to coordinate these terms and conditions with those set by other donors, to minimize the number of disparate conditions and avoid conflicting and contradictory conditions.
5. SIDA should promote the spread of information and knowledge regarding the process of change in crisis countries by such means as special consultant projects and seminars, by printing reports and giving other assistance in publishing documents. SIDA will thereby also help to create better equilibrium in the dialogue between the recipient country and the assistance donors on macro-economic conditions.

Work methods and measures

SIDA SHOULD REVIEW its forms for programming and dialogue with the crisis countries.

The consequences of crisis adjustment for SIDA's organization and work methods

IN MANY OF THE CRISIS countries, development assistance more directly oriented towards poverty relief would involve a change in the present situation. It goes without saying that such a change must take place in stages. This process of change should follow concrete programmes of action drawn up for each crisis country.

We consider it self-evident that the higher level of ambition involved in a greater degree of crisis adjustment must be accompanied by a greater degree of concentration. In recent years the profusion of direct allocation projects has accelerated with inter sectoral assistance and other non-country programmed assistance. Powerful interests on both the recipient and donor sides work to counter this concentration. SIDA must improve its capacity to terminate its investments.

The Development Cooperation Offices in the crisis-torn countries should, both under their own auspices and with the assistance of local and possibly other external resources, take concrete action on some of the recommendations of the crisis report.

The following surveys and studies may need to be carried out in order to provide basic material.

- a) Operational expenditure support (including the pay level issue) to social sectors – the survey to be carried out by the recipient country's government, possibly with SIDA support.
- b) So-called "Minimum requirement studies" of the type completed for the universities of Maputo and Dar-es-Salaam. The Development Cooperation Offices are to suggest areas for their respective countries.
- c) Charting the availability of local consultants, experts and institutions.
- d) Charting the administration system at the national, regional and local levels. What has been done that can be used as an example?
- e) Charting local independent organizations, including women's and cultural groups and professional associations. What has been done that can be used as an example?
- f) Charting the way conditions can be created for increased production in sectors relevant to SIDA.

In recent years Sub-Saharan Africa has come to play an increasingly peripheral part in the world economy. The economic crisis has eroded the legitimacy of the state, and the crisis and structural adjustment measures are having an adverse effect on the poorest people in the poorest countries. These changes have led to changes in development assistance.

"In the Wake of Crisis – Changes in Development Assistance to the Poorest African Nations" outlines a strategy for SIDA's development assistance to these countries – a programme of action which includes more assistance for measures to combat poverty, assistance to the social sectors and more support for the process of democratization.

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