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Some Reflections on the Experience of Foreign Aid

By William N. Wamalwa

In these reflections on foreign aid in Africa, William N. Wamalwa, President of the African Association of Public Administration and Management (AAPAM), draws on over three decades of experience at the national and Pan-African level. While the early years of great optimism led to a certain tendency towards concentration on technicalities and infrastructure and the neglect of major political and cultural issues, the present increasing concentration on human development is, in his opinion, a promising trend, although it is important always to be aware that foreign aid can only be complementary, and that a range of factors has to be coordinated in order to be successful. The author ends his paper by summarising, in three points, the positive motives for setting up autonomous development funds: (1) the over-extended and interventionist state is now reducing its size and shifting its role towards facilitating others to be productive; (2) foreign aid has a contributory role to play in promoting economic stability and national development in African countries; and (3) economic and public service reforms are establishing appropriate mechanisms for the efficient and effective management of the public services.

William N. Wamalwa served as Permanent Secretary in the Ministry of Economic Planning and Development 1966–67 and as Chairman of the Public Service Commission of Kenya 1968–74. From 1983, he served at the United Nations Economic Commission for Africa in Addis Ababa where he held the post as Chief of the Division of Administration and Conference Services during the period 1984 to 1992. In addition to being the President of AAPAM, he works as an international consultant on governance and public administration.



Foreign aid in Africa has had mixed results: the few instances of outstanding successes have largely been recorded in the political field and in the liberation struggle of individual countries. Its contribution to national reconstruction and development, however, has fallen short of the vision of both donor countries and African nations themselves. In the early years after independence, there was immense optimism both in Africa and in the industrialised North about the prospects for development. African leaders believed that once political independence was achieved, poverty, illiteracy and disease would be eradicated. It is in the context of this reality that Dr Nkrumah of Ghana was said to have often quoted a biblical injunction during the strug-

Development Assistance: Prospects and Priorities

By Olav Stokke



In this 'Northern view' on development assistance, Olav Stokke first discusses the motives behind such assistance and observes that although these are usually seen in black or white terms—as imperialist or altruistic—they are often a mixture of both, the emphasis varying considerably with both the 'donors' and 'recipients' involved. Whether development assistance is an integrated part of Northern countries' foreign policy or an instrument of 'humane internationalism', a number of relevant questions can be put about its future: 'What are the prospects for aid towards the year 2000? Will it be kept up at the same level as previously or will it decline? What will be the priorities, and what changes can be foreseen?'

In his reply to these questions Olav Stokke emphasises, inter alia, that a whole new group of countries—Eastern European as well as members of the CIS—have joined the countries of the South in their need for resources and that an increasing share of aid will be channelled not only to growing numbers of relief and refugee operations but also to activities which have previously been considered as distinct from aid, such as peace-making and peace-keeping, all of which incur extremely high costs. Linked to these factors is the question of the sustainability of aid: Stokke notes with some surprise that the overall level of development assistance, despite shrinking allocations in several countries, remained around the same through the difficult years of the neo-liberal 1980s, although the longer-term prospects seem less encouraging. An important factor in the discussion of the sustainability of aid is the emphasis on conditionality that has increasingly been used in aid cooperation negotiations whether the desired goal has been increased democracy, good governance, improved civil and political rights or 'economic and social rights'. Stokke believes that considerations of this kind will continue to play an important role in aid discussions. An increased role on the part of NGOs, for example in the context of Autonomous Development Funds, may, however, lessen the tension between donors and recipients and facilitate a sustained transfer of resources for development.

Olav Stokke is the Director of the Norwegian Institute of International Affairs in Oslo and the editor of Forum for Development Studies. He is the author of more than 20 books on various aspects of North-South relations, development cooperation and aid policy.

Reforming Foreign Aid to African Development

A Proposal to Set up Politically Autonomous Development Funds

By Göran Hydén

This contribution by Göran Hydén served as a background paper to the discussions on Autonomous Development Funds at the Expert Consultation in Kampala in April 1995. It presents the rationale for these funds and outlines in some detail their main features. The background paper is based on four assumptions. The first is that a critical variable in determining the effectiveness of foreign aid is how it is being dispensed. This becomes particularly critical in situations where public institutions have lost much of their legitimacy and ability to influence the course of events. The second assumption is that a trusting relationship between donor and recipient is a prerequisite for good use of foreign aid. Only then will the physical capital (money) that the donors provide begin to be converted into social capital, i.e. institutions that will sustain development efforts based on local commitments. The third assumption is that donors need to be less selfish or nationalistic in their approach to foreign aid and not think that the more control they have over the preparation of a given project the more likely it will be that the project will yield positive results. What is needed is a modification of this process so that donor coordination takes place in response to the expressed needs of recipient institutions. Finally, the fourth assumption is that development funding must be available not only at the central, governmental level but also at lower levels. The central control of decision-making, information flow and resource allocation can be broken if local institutions, including local government, are able to enhance their financial autonomy vis-à-vis central government.

The autonomous development fund model, then, is characterised in the following way: it is a public but politically independent institution; it caters for both government and civil society; it is a funding, not an operational, entity; it aggregates finance from many sources; it brings donors and recipients together in new ways; and it is national in scope of operation.

Göran Hydén is Professor of Political Science at the University of Florida, Gainesville, where he also directed the Center for African Studies 1994–96. Since the mid-1960s he has studied extensively the political developments in Eastern and Southern Africa and taught at all three major universities in East Africa. He has published a large number of books and articles on many aspects of African affairs.



Autonomous Development Funds in the Philippines

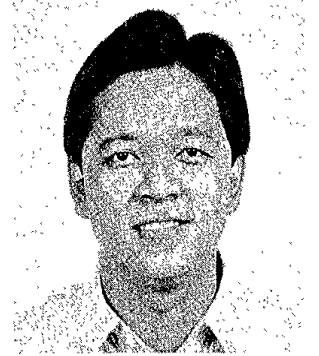
An Overview

By Eugenio M. Gonzales

In this case study from the Philippines, Eugenio M. Gonzales outlines the role of Autonomous Development Funds in Philippine society against the background of the development of strong Non-Governmental Organisations and People's Organisations (NGOs and POs), particularly during the past ten years. He profiles six major development funds and also introduces the reader to the most important NGO networks in Philippine society. With their high motivation, absence of bureaucracy and their closeness to poor communities, these organisations are increasingly being recognised by donors as effective and efficient deliverers of development assistance. In summing up his experience, the author emphasises a few key factors which need to be focused on for the outcome of a project to be successful: these include full participation by all concerned parties, a capacity for innovative thinking, and transparency and openness. Furthermore, the maintenance of the funds' autonomy and objectivity and the protection of their boards and staff from partisan political pressures are also extremely important features.

It is evident that African governments and NGOs can learn a great deal from the Philippine experience even if local conditions may be different in many respects. The development of South-South links and the sharing of knowledge and experience may serve as an important ingredient in the development of improved development cooperation and a stronger civil society in the South.

Eugenio M. Gonzales has been the Executive Director of the Foundation for a Sustainable Society in Manila since February 1996. Before that he served as Executive Director of the Philippines-Canada Human Resource Development Program. He has participated extensively in the design and implementation of four grant-making mechanisms that have provided over USD 14 million to more than 1,000 Philippine NGOs and POs in the past eight years.



Historical highlights

The Philippines was a colony of Spain for 400 years, from the early 16th to the end of the 19th century. The Spaniards brought with them the Christian religion, in the form of Roman Catholicism. At the turn of the 20th century, an invasion by the USA aborted a Philippine revolution that was about to drive out the Spanish colonisers. The Americans set up the country's educational system and government bureaucracy. Until 1946, the Philippines was a US colony.

REPORT OF THE EXPERT CONSULTATION ON THE ROLE OF AUTONOMOUS FUNDS AS INTERMEDIARIES IN CHANNELLING MONEY FOR SOCIAL AND ECONOMIC DEVELOPMENT IN AFRICA

In the latter part of 1995, a Report from the Expert Consultation on Autonomous Development Funds in Kampala, Uganda, held on 4–6 April, 1995, and co-sponsored by the Ford Foundation and the Carnegie Corporation, was published in English and French language editions. The Report includes a Communiqué adopted by the meeting, which gives a summary of the deliberations of the Consultation. The Communiqué draws its inspiration and substance from the work done by four expert groups charged with the responsibility of examining in greater detail various dimensions of the autonomous development fund model. To this end they were asked to look into the political, financial, legal and managerial aspects of the proposed funds. The Report also provides a list of the experts who participated in the Consultation.

COMMUNIQUÉ

Ever since political independence, Official Development Assistance (ODA) has played a major role in the socio-economic development of African countries. In its initial stages it was characterised by partnership relations in which donor and recipient participated as equals and in which ODA was viewed as a true complement to national African efforts. With increasing evidence that much ODA has failed to produce the anticipated results, donors have become more reluctant to dispense their funds and do so only on conditions that give them increasing control of aid disbursement and management. What was once a partner relationship has been turned into one that makes the donor more like the master, the recipient the subordinate. This, in turn, has led to an increasing sense of distrust between African governments and donor agencies. Both parties must take responsibility for this negative turn of events.

The purpose of this Expert Consultation has been to explore means of restoring mutual trust and partnership between donors and recipients. The principal focus of the deliberations has been the model of a non-partisan development fund presented in the background paper prepared for the consultation. The sponsors of this consultation, the African Association for Public Administration and Management (AAPAM) and the Dag Hammarskjöld Foundation (DHF), are convinced, following initial preparations

for this event, that sufficient interest exists among both donor agencies and African countries to pursue this idea further. It was adopted in principle by the Regional Conference on 'The Strategic Agenda for Development Management in Africa in the 1990s', organised by the UN Economic Commission for Africa in March 1993 in Addis Ababa, and approved by the Conference of African Ministers of Planning and Economic Development the following month. On the donors' side frustrations with previous approaches have led many agencies to search for innovative ways of administering their operations.

The fund model is not new: many such mechanisms, both private and public, have been in existence for some time. As the expert consultation recognised, some types of intermediary institutions have failed. The case of development banks was mentioned. On the other hand, there is also promising evidence from both Africa and other regions of the world that such institutions can work provided they are properly constituted and supported. The consultation benefited from presentations on successful models in Bolivia, Ecuador, the Philippines and Portugal.

Following a careful examination of the fund model, experts from African countries and elsewhere (see list of participants) agreed that funds should be public institutions established in consultation between African

governments, civil society and donors. They should be so constituted that they are insulated, as much as is practically possible, from partisan political pressures. Where such laws do not already exist, special legislation allowing the funds an autonomous status would have to be introduced. Established as national institutions, normally with a specific sectoral mandate, these funds would dispense money within the context of national policy to organisations applying for their resources on a competitive basis. The funds would be run by boards of trustees representative of government, donors and civil society. These boards would consist of individuals who command public respect, have good judgement and high standards of professionalism, and are of independent stature. Their appointment would not be controlled by the Head of State or any other member of the executive branch of government. To secure the operational autonomy of these funds they would be endowed, i.e. they would have their own capital base. Capital would be raised from external donor sources as well as domestically with the help of donations and fund-raising activities.

Various opinions were expressed on what institutions should be eligible for support from these funds. Experts agreed that priority should be given to private, voluntary and cooperative organisations involved in social and economic development as well as local government entities. Priority should therefore be given to those organisations which have a strong commitment to work with the poorer groups in society and those others which have little or no access to existing institutional mechanisms. The funds are being introduced with a view to enhancing the flow of aid to the poorer segments of society.

It was generally agreed that these funds would be created with a view to ensuring better use of donor resources for development in individual African countries. They should complement existing transfer mechanisms. For example, direct resource transfer to governments or non-governmental organisations (NGOs) would continue. The role of the proposed new funds would be to encourage greater innovativeness and effectiveness in the use of development resources.

Experts agreed that the broader mission of these funds would be to help build constructive links between government and civil society, encourage decentralisation and stimulate development and initiatives at the grassroots level. These institutions would also increase transparency in aid utilisation and cut the bureaucratic red tape currently associated with the administration of foreign aid and other development resources.

What this new approach demands of the interested African government is the readiness to abstain from political control of these funds in return for an anticipated increase in resources for social and economic development and the prospect of an emergent participatory democracy. Of the interested donors it asks for a readiness to pool resources into funds that are locally incorporated in the recipient country but where donors, directly or indirectly, would exercise influence through representation on the board of trustees. It is also intended to relax conditionalities in order to promote flexibility and innovativeness in the application of aid funds—focusing on contributions to poverty reduction among the rural and urban and peri-urban poor. The gains that they stand to make from this institutional arrangement would be the possibility of greater transparency and accountability in the use of their money and the possibility of allowing their aid to reach the poorer groups in society with increased beneficial impact.

Because conditions in African countries vary, the establishment of these funds has to be done with some degree of flexibility. There was also agreement that funds should be started on a gradual basis in countries showing interest in this approach. Experts were convinced that given a genuine political commitment on the part of donors and recipients alike, as well as careful attention to legal, managerial and financial issues, these funds would help Africa in attracting additional funds and restoring a sense of partnership in donor-recipient relations.

The consultation ended with agreement on a series of follow-up measures that are necessary to enable the model to be translated into a viable funding inter-

mediary in each country interested in adopting the model. There would most likely also be need for some form of non-partisan facilitation. Both AAPAM and the DHF confirmed their willingness to assist in these matters. The report from the consultation would also be tabled before the next meeting of Ministers of Planning and Economic Development organised by the UN Economic Commission for Africa. It was also

agreed that donors needed to be briefed about this new approach through such mechanisms as the Development Assistance Committee of the OECD. Finally, the Government of Uganda, through its Minister of Finance and Economic Planning, indicated its readiness to work out how the model could best be implemented.

EXPERT GROUP REPORTS

Political Aspects

Issues facing governments

The political group started out by discussing what was needed to get the African governments to adopt the proposed model of autonomous funds as intermediaries in channelling money for social and economic development. It was strongly emphasised at the outset that African commitment and support was crucial for further progress and concrete implementation. As to the potential interest from the point of view of the African governments, the following factors were singled out:

- (i) The use of autonomous funds could help form constructive linkages between the government and civil society; furthermore it could support decentralisation efforts and stimulate broader participation at the grassroots level.
- (ii) Autonomous funds, as proposed in the background document, could relieve the government of a heavy burden relating to design, implementation, follow-up, etc., without taking away the power of overseeing the utilisation of donor funds. In fact, the model could be used to facilitate the emergence of a strong NGO network, which could be used to help implement national development strategies and objectives.
- (iii) The model is likely to increase the transparency in aid utilisation and to establish a more direct line between aid and development resources on the one hand and vulnerable groups and poverty alleviation on the other.
- (iv) Autonomous funds could be used as a means to

speed up aid disbursements (thereby also inducing higher aid volumes) without undermining the authority of the line Ministry normally concerned (i.e. the Treasury).

- (v) The model, as designed, would lessen the dependency syndrome and enhance dignity and self-respect in the recipient countries. At the same time, it would help strengthen support for foreign aid in the donor countries.
- (vi) A clear link could be established to the overall objectives already agreed at the Social Summit in Copenhagen. Interested African governments could use the model in a proactive, dynamic way to implement, for example, the 20/20 formula.

The group felt that it was of paramount importance to try to disseminate the results of the Expert Consultation as quickly as possible in relevant African fora and constituencies.

In this context, special attention was drawn to the forthcoming ECA Meeting of Ministers of Planning and Economic Development, to be held in Addis Ababa in May 1995. It was recommended that contact be established as early as possible with the Public Administration, Human Resources and Social Development Division of ECA in order to facilitate the dissemination of the Preliminary Report from the Expert Consultation at the Ministerial Meeting.

The group further recommended that the new model should be introduced and explained, using AAPAM as an intermediary, within the sub-regional frame-