Foreign Aid in Sub-Saharan Africa Countries: Does Foreign Aid Make a Difference in Development?

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Foreign Aid in Sub-Saharan Africa Countries: Does Foreign Aid Make a Difference in Development?

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Abstract: ***Each year donors transfer tens of billions of dollars in the form of foreign aid to developing countries. Moreover, based on new pledges and greater commitments to development assistance from donor nations, there is a possibility of scaling up of foreign development assistance far beyond the current levels. From the donors' perspective, the commitment to increase aid flows to developing countries is only the starting point. This, in turn, raises issues regarding the role of the donors' aid allocation policies in ensuring aid effectiveness in enhancing overall development in the recipient states. This paper examines the debate that relates to the impacts of foreign aid to the recipient states. It also examines the loopholes and the blame such as ineffective aid channels, perverse environment and financial mismanagement, lack of financial monitoring infrastructure, the lack of aid transparency and access to information that the donor agencies must address if foreign aid is to bring any meaningful impact on the recipient states especially in the developing countries. In addition, this review paper explores on the best remedies that can be adopted to realize development from the foreign aid. These remedies include donor's knowledge on the priority needs of the recipient state, recipient knowledge on their own needs, accountability by the donor agencies, empowerment of the intended beneficiaries, federalism /decentralization of governance structures, donor and recipient role in assessing how foreign aid is delivered and sanctioned in the recipient states.***

Keywords: Foreign Aid, Governance, developing countries, donor, stakeholders

1. Introduction

The term 'foreign aid,' generally, refers to Official Development Assistance (ODA), given to the developing and transitionaleconomies that are concessional in character [1]. It has three main components that is grants, which do not have to be repaid; concessional loans, which have to be repaid but at lower interest rates and over longer periods than commercial bank loans; and contributions to multilateral institutions promoting development, such as the United Nations, International Monetary Fund, World Bank,and regional development banks such as African Development Bank and Inter-American Development Bank [2]. Most aid assistance, however, comes in the form of 'tied' aid, which requires recipients to purchase goods and servicesfrom the donor country or from a specified group of countries [3].Foreign aid dates back to the earliest days of Bretton Woods in the mid-1940s, which saw the establishment of institutions such as the International Monetary Fund [4]. Launched as a large-scale aid program by the United States in 1948, the European Recovery Program or Marshall Plan, was concerned with strengthening the ties to the West European states to contain the influence of the USSR during the cold war era [5]. The Marshall Plan also expanded its reconstruction finance to strategic parts of the Middle East and Asia as a way of containing communist expansionism [6]. Foreign aid was justified as a moral responsibility of the rich countries to the poor at the time, and during the Cold War period donor ideology and focus changed frequently from one objective to another such as supporting productive sectors, reducing poverty and population growth, increasing access to health care and basic education, macroeconomic reforms and opening markets [7].

After World War II and until the early 1990s, donor countries were motivated by the desire to support their political allies and trade partners, to expand the markets for their exports, and to reduce poverty and military conflicts threatening international security [8]. In the year 2000, Millennium Development Goals were launched, partly as a response to the failure of explicitly growth-focused aid in alleviating poverty. Governments came together to form an international action plan to increase the amount of aid by 2015 to 0.7% of GNI and to target poverty reduction [9].

In 2005, The Paris Declaration saw 91 countries making a joint agreement on aid effectiveness. The Declaration sidelined growth as the foundation of aid effectiveness, and instead focused the principles of recipient ownership, alignment, harmonization, managing for results, mutual accountability and good governance [10].Past studies reveal that since 1990s, donors directly or indirectly linked foreign aid to poverty alleviation, reduction and elimination [11]. Most foreign aid given to developing countries was designed to meet one or more of four broad economic and development objectives: (a) to stimulate economic growth through building infrastructure, supporting productive sectors such as agriculture, or bringing new ideas and technologies, (b) to strengthen education, health, environmental, or political systems, (c) to support subsistence consumption of food and other commodities, especially during relief operations or humanitarian crises, or (d) to help stabilize an economy following economic shocks [12].

Sub-Saharan Africa comprises 49 of Africa's 54 states, all of them except the five Arab states on the Mediterranean. In 2010 sub-Saharan Africa was home to more than 853 million people and the population projected to treble by the end of the 21st century. Over the last 50 years, foreign aid transfers to governments in Sub-Saharan Africa totaled a staggering $1 trillion [13]. The aim of these generous donations motivated by altruism, colonialism, and out of self-interest was to build political and economic alliances, improve living conditions and lift people out of poverty known to characterize most developing countries in Africa, Latin American states as well as a number of states in Asian continent [14]. Yet, while the world's aid poured into developing countries, most of the continent's economies are still known to flounder with deepened and widespread poverty levels. Today, almost 15% of the world's population, accounts for less than 3% of global Gross Domestic Productand the critics of foreign aid are becoming increasingly vocal, that aid has failed to improve people's lives and has instead lowered their living standards [15].

Foreign aid in relation to governance, have for a long time been at the centre of poverty debates in regards to Sub-Saharan Africa. Countries which have shown better governance have over the years received more foreign aid than those who have failed to do so[16]. World Bank assistance has also been tied to improvements and strengthening of institutions of global governance. While the positive impact of aid in regards to poverty reduction needs not be overemphasized, in most countries aid has failed to achieve its intended purpose of helping the least advantaged in poverty reduction and promoting economic growth[17]. Most developing countries have often been characterized by corrupt and incompetent personnel in government institutions who have squandered and misappropriated foreign aid given for development. This is further aggravated by weak institutions' inability to address such pertinent issues that often constrain development [18].

For instance, the Gambian presidency immediately after independence amassed a sizeable fortune through opaque channels and foreign aid that was used to fortify power [19]. Foreign aid has been accused of crippling Africa and fostering dependency on the western countries. Various studies have shown that most of the Sub-Saharan governments are not bothered building their states and a dynamic economy with a local tax base for the reasons that revenues can be acquired much more easily from abroad in form of foreign aid [20]. However, despite a large amount of time and resources being devoted to development assistance, these countries are still underdeveloped. From the public interest perspective, foreign aid that is necessary to fill a financing or investment gap and in turn lift countries out of poverty trap, has not made any major positive impact in these countries [21]. Therefore, this paper looks at why Sub-Saharan African countries have failed to promote development despite receiving more foreign aid from developed countries over the years. In trying to understand this, the paper interrogates the divergent perspective on foreign aid, loopholes and blame on donor agencies, their capacity to handle foreign aid, and how foreign aid can be re-invented to increase its effectiveness to respond well to the needs of the targeted populations.

2. Research Methodology

This paper provides conceptual explanation and examines the debate that relates to the impacts of foreign aid to the recipient states. It provides a review on the loopholes that must be addressed if foreign aid is to bring any meaningful impact on the recipient states especially in the developing countries. In addition, this review paper explores on the best remedies that can be adopted to realize development from the foreign aid.

3. Contrasting Theoretical Debate On Foreign Aid

Different scholars have given divergent views in relation to foreign aid and development as highlighted in the subsequent sections.

3.1 Contribution of Foreign Aid to Development

The optimistic view of foreign aid sees aid as having power to make dictatorships into democracies. There are several channels through which aid may be able to do this [22]. The first channel is through providing technical assistance and other support to developing countries that strengthens their judiciaries and legislatures. If targeted aid can strengthen opposing branches of government in politically centralized developing countries, it can check the executive's power, diminishing autocratic control. Technical assistance devoted to helping organize democratic elections and supporting election infrastructure, such as providing security at voting locations, monitoring election-day activities, and providing external observers who can certify the legitimacy of electoral outcomes, may also improve recipient countries' democracy. Similarly, if targeted aid can strengthen democracy supporting institutions such as the rule of law by improving the criminal justice system, making this system fairer, more efficient, and more transparent, it could also improve recipients' political regimes.Second, foreign aid may enhance democracy in recipient nations by improving education and income. Researches suggest that becoming richer and better educated makes countries more democratic and if aid has the power to increase education and income among recipients, it can thus promote democracy in currently dictatorial regimes [23].

Third, foreign aid may promote democracy in recipient states through conditionality. Aid conditionality can require increased democratization as a condition of continued assistance, compelling aid recipients to decentralize their political institutions. The actions of at least some members of the donor community suggest that they believe aid can be an important element of democratization in dictatorial developing countries[24]. For instance, the United States Agency for International Development devotes more than $700 million each year to programs aimed at enhancing recipients' democracy [25]. Some empirical work supports the optimistic aid perspective. For example, for a subset of African countries, more aid is associated with more political freedom, civil liberties, and economic freedom [26]. Similarly, aid enhances democracy in recipient nations in the post-Cold War period [27].Aid clearly can be useful and can contribute to economic development and improvements in quality of life variables in many countries. As such, aid is supposed to provide temporary financial assistance in order to encourage certain long-term behaviors: revenue collection, investment in physical and human capital, and the establishment of the institutions of a developmental state[28]. There are clearly some cases where aid-as-subsidy has played this role, for example in South Korea or Botswana, where foreign assistance supported local efforts to do these things and the country gradually was weaned off aid [29].

3.2 Criticism on Foreign Aid on Development

Foreign aid can weaken the state bureaucracies of recipient governments. This can occur most directly by siphoning away scarce talent from the civil service, as donor organizations often hire away the most skilled public officials at salaries many times greater than those offered by the recipient nation government match [30]. Particularly when donors implement projects that local governments would have undertaken anyway, foreign aid can prevent local bureaucracies from building administrative capacity: "At times, donors have hindered the creation of effective public sectors because they saw end runs around local institutions as the easiest way to achieve project success" [31].

Political scientists have argued that aid weakens governmental accountability, by retarding the development of a healthy "civil society" underpinning democracy and the rule of law. The evolution of democracy and the rule of law in the Western countries were critically related to monarchs' needs for tax revenues, particularly for fighting wars [32]. Elites who provided monarchs with most of their tax revenues in turn demanded accountability from government. Accountability was gradually extended from the elite to the people at large [33]. England is the prototypical example, with the Magna Carta and the Glorious Revolution being two of the most prominent events in the process of increasing accountability of monarchs to elites, followed eventually by gradual extension of the suffrage [34]. Foreign aid may short-circuit these processes in developing countries, by reducing government's dependence on its citizenry for tax revenues [35]. A number of potential negative effects of large aid volumes on institutional development can be identified. Much of the focus from economists has been on macroeconomic imbalances caused by large volumes of aid. One central issue has been the possibility of large Official Development Assistance (ODA) inflows affecting the real exchange rate and undermining the competitiveness of the export sector— the so called 'Dutch disease' [36]. Management of the real exchange rate is arguably rendered even more difficult by ODA volatility, which also is thought to have negative effects. Dutch disease-type effects have been noted in a number of African aid recipients such as Ghana [37].

Another set of economic concerns emphasize the role of aid within the budget process itself, with most studies suggesting that foreign aid can undermine the ability of recipient governments to budget appropriately. Several have implicated the volatility of aid flows as the source of distortions. In a 37-country survey, it was found that aid is more volatile than domestic fiscal revenues and that this volatility lessens any potential positive benefits of aid on recipients [38]. In addition, it was found the volatility of aid often leads to poor budgeting and underestimation of revenues, particularly since aid commitments tend to overestimate actual disbursements [39]. Furthermore, the fiscal uncertainty of dependence on external assistance makes long-term planning extremely difficult [40]. How might these possible macro effects of aid negatively impact public institutions? The potential loss of competitiveness means lower exports and economic growth, fewer jobs, and increased dependence on external assistance[41]. Resource volatility contributes to macro-economic instability, which complicates public policy making in vital areas such as budgeting and planning, and tilt public spending toward consumption rather than investment. These can exert a negative effect on the quality of the civil service, public services, and infrastructure, all indirectly undermining the ability of the state to transition from patrimonialism to a more 'developmental' path [42].

Another critical set of negative institutional effects of aid can be identified as those that influence the political regime in a way that discourages the establishment of rational developmental states. The hypothesis here is that large sustained aid flows fundamentally alter the relationship between government elites and local citizens[43]. Any kind of external financial flow changes the incentives faced by recipient government officials and their citizens, regardless of the precise nature of donor practices. That is, aid flows themselves, separate from particular inefficiencies in the aid system, can affect the evolution of state-society relations[44]. If donors are providing the majority of public finance and governments are primarily accountable to those external agencies, then it may simply not be possible to also expect a credible social contract to develop between the state and its citizens. Using the current terminology, aid may undercut the very principles the aid industry intends to promote: ownership, accountability, and participation.

A large flow of aid over a sustained period also can undermine popular citizens' participation. On the one hand, the assent of the population is less important to governments that receive large amounts of external support[45]. They will devote less time and resources to explaining and defending policy decisions to their citizens, and will underfund the kinds of public institutions that encourage popular participation. On the other hand, the decline in ownership brought about by the externalization of decision-making necessarily results in de-participation [46]. If citizens believe that their leaders respond to pressures from donors, they will not devote as much time pressing demands on the local legislature and executive. They may view the local legislature as the place to press for favors and patronage, rather than for policy outcomes, and this will once again tend to reinforce the patrimonial elements in the local political economy [47]

By making corruption more lucrative, aid distorts the incentive structure for public actors, and may therefore delay pressures for institutional reform. Given what we know about the importance of institutional quality for economic performance, institutional reform is the key to development in many poor countries. Yet achieving reform requires solving a complex set of collective action problems[48]. Theory suggests that reforms are akin to public goods in that they benefit the public at large, and it is difficult to preclude anyone from reaping these benefits. Often, the very goal of reforms is to improve governance and reduce corruption levels in the country. However, if aid makes corruption more lucrative by making available large sums of easy money, then the very agents who are supposed to bring about the necessary reforms will lose their incentives to act[49].

There is no compelling evidence that donors pay attention to institutional quality or corruption considerations in their aid allocation decisions. Research has found no systematic evidence that bilateral or multilateral aid goes disproportionately to less corrupt governments [50].In fact, one study provides considerable evidence that patterns of aid allocation by bilateral donors are far more robustly dictated by the political and strategic interests of the donors than by concerns over good governance in the recipient nations[51]. Factors such as colonial history and voting patterns in the United Nations tend to explain more of the distribution of aid than do the political institutions or economic policies of the recipient governments.As such, the indiscriminate nature of foreign aid allocation is believed to have a direct impact on governance through its tendency to perpetuate existing corruption in recipient countries[52]. Given that many of the largest recipients of ODA in Sub-Saharan Africa are also some of the world's lowest-ranking countries in many areas of governance, particularly with regards to corruption, foreign aid appears simply to increase the volume of funds at the disposal of already corrupt government officials and kleptocratic elites.

The literature also suggests that aid indirectly harms governance by inducing an increase in the size of the government sector, which in turn increases opportunities for corruption[53]. Studies show that ODA transfers in a corrupt setting ultimately end up funding wasteful government spending that is falsely labeled as "development expenditures."[54]. Boone shows that while aid does increase government consumption, this does not typically benefit the poor because money is wasted on white elephant projects, military equipment, fraudulent procurement, and other expenditures that provide ample opportunities for graft, but do not typically generate any meaningful income to service the loan or to bolster growth[55]. Foreign aid has also been shown to be a convenient tool for leaders with short time horizons to adopt policies that may yield quick results, but are ultimately not in the best interest of development. One such popular policy is to increase the size of the civil service in order to slash unemployment rates, such that aid funds are wasted on paying unnecessarily large numbers of government employees for doing essentially nothing[56]. This translates into a chronic tendency for the state to become over-extended.

Another potential distortion arises due to the fungible nature of foreign aid. This refers to the idea that donors often provide funding for projects that address specific needs in the country for which the recipient government has already earmarked resources from its own budget[56](William Easterly & Tobias Pfutze, 2008). The influx of foreign funding makes it possible for the recipient government to reduce its own allocation of resources in the sector that receives the ODA and to reallocate those resources elsewhere[57].Although the concept of fungibility itself is not necessarily harmful, especially if the extra funds are reallocated into productive uses within the economy, fungibility is problematic insofar as it increases the scope for corruption and rent-seeking [58].

4. Loopholes on Donor Agencies and in Appropriation of Funds

Underdevelopment can be brought about by the donor agencies through the following ways;

4.1 Ineffective Aid Channels

Three types of aid are widely considered to be intrinsically not very effective: tied aid, food aid, and technical assistance [59]. Tied aid comes with the requirement that a certain percentage of it has to be spent on goods from the donor country, which makes the recipient likely to be overcharged since it increases the market power of donor country's firms and often amounts to little more than ill-disguised export promotion. The case against food aid is similar. It consists mostly of in-kind provision of foods by the donor country, which could almost always be purchased much cheaper locally [60]. Food aid is essentially a way to for high-income countries to dump their excess agricultural production on markets in low-income countries. Technical assistance, according to the OECD, "is defined as activities whose primary purpose is to augment the level of knowledge, skills, technical know-how or productive aptitudes of the population of developing countries." It is also very often tied, and often condemned as reflecting donor rather than recipient priorities [61].

4.2 Perverse Economic Environment and Mismanagement of Funds

Aid agencies operate in a perverse environment that hinders their abilities to succeed. These perverse incentives stem from such problems as negligible feedback from beneficiaries, hard to observe outcomes, and low probability that bureaucratic effort will actually translate into favorable outcomes [62]. To respond to these incentives, aid bureaucracies organized themselves "as a cartel of good intentions, suppressing critical feedback and learning from the past, suppressing competitive pressure to deliver results, and suppressing identification of the best channel of resources for different objectives" [63] provides support for this argument, stating that aid agencies suffer from considerable mismanagement, and questioning their performance is equally important [64].Due to multiple donor agencies, incentives to be held accountable for aid failures are weak, and thus, no one agency is held responsible. In other words, there are too many principles, and multiple principles which weaken the incentives to achieve results [65]. For example, the World Bank, IMF, Inter-American Development Bank, United States Agency for International Development, US Drug Enforcement Administration, British Department for International Development, plus several more agencies, are all operating in Bolivia. Each of these agencies affects the outcome but no one agency is ultimately held responsible.

4.3 Lack of Monitoring Infrastructure

Donors have very little incentive to actually monitor how aid is allocated once it is in the hands of the recipient government. Corrupt governments are aware of this lack of accountability and do not fear any sanctions by not achieving results [66]. These recipients are typically receiving aid from different donors, leading to multiple principles and thus weakening any incentive to achieve results. In fact, recipients may actually engage in worse behavior to try and solicit more aid, creating a moral hazard problem. Individuals within recipient countries also do not have incentives to use aid efficiently [67]. The fact that individuals did not invest before receiving any aid indicates a lack of opportunity. Foreign aid does not enhance opportunities and can actually worsen the incentives for individuals to invest in productive behavior due to the Samaritan's Dilemma and its perverse effects on the quality of institutions [68].

4.4 Lack of Aid Transparency and Access to Information

Though aid is the transfer of tax resources from one set of citizens to another more disadvantaged group, information on the decision making process at each stage is limited to the respective public administrations and aid agency staff. In donor countries, the lack of transparency in aid prevents taxpayers from understanding the challenges of making poverty reduction programmes work [69]. In recipient countries, lack of public information on aid allocations hinders citizens from being partners in the prevention and identification of corruption. While in some cases information exists and access is guaranteed, it is not always in a form that can be analyzed and that allows action to be taken[70]. Corruption thrives in environments where information is either too segmented or aggregated, making it difficult to fully understand or compare with other data. This lack of transparency prevents conclusions from being drawn about how governments are utilizing donor funding and for what purposes[71].The lack of transparency in operations funded by multilateral and bilateral institutions, as well as in domestic budgeting processes, has effectively undermined the role of legislatures in accountability and anticorruption efforts.

5. Way Forward for Donors Agencies

The success of foreign aid involves coordination from both the donors and the recipient governments. On both sides, information is dispersed, local, and decentralized. Donors are very good at specifying goals and what they hope to achieve with the aid, but they may not know where aid is required, who it is needed by, in what locations, and in what quantities [72]. Similarly, the poor in the recipient countries know what they need and in what quantities, but they may not know who has the aid or how to get it. We argue in the following subsections that effective foreign aid, just like successful social coordination, must solve the problems for both the donors and the recipients.

5.1 Donors' Knowledge Problem

In order for aid to be effective, donors must be able to gather critical information, requiring the ability to tap into local knowledge. Donors must recognize that aid is needed, figure out exactly what is needed and who needs it, and evaluate whether or not what they are doing is working and this involves some form of evaluation and feedback [73]. Donors rely on the bureaucratic process to try and solve these knowledge problems.The main obstacle in being able to tap into this necessary information is the fact that foreign aid is managed and organized by governments and other bureaucratic agencies. Government agencies are created to oversee foreign aid disbursements. These agencies often work with or answer to other aid agencies, such as the World Bank, each with its own internal bureaucracies. These layers of bureaucracy are a necessary and inevitable outcome of government controlled activities. It is necessary because government agencies, unlike private firms that are guided by profit seeking, have no such guide [74]. Private firms only have to tell managers to maximize profits. This system of profits and losses provides a benchmark as to how well a manager is contributing to the firm's goal.In contrast, government agencies do not seek to make profits nor do they use a system of profits and losses to direct activities. They do not have one rule for their managers or directors to live by. It is therefore difficult to ensure that managers in government contribute to the overall goal of the agency. Hence, some other guide must be employed. This political mechanism is bureaucracy. Detailed procedures and protocols replace the profit objective to guide and check managers' behavior [75].

Although bureaucracy is essential to government run activities, it does hamper the ability to gather essential information necessary to achieve results. These unavoidable bureaucratic procedures and protocols create a separation between private knowledge and political knowledge. This separation severely limits the goals that agencies can successfully achieve. Some of the separation stems from the fact that aid agencies and donor governments actually face a lack of accountability and feedback [76]. Bureaucracies do not utilize market forces to gain vital information. In addition, aid recipients have very little opportunity to give feedback to the donor agencies, and they have no mechanism of punishing agencies if they fail. This lack of accountability and feedback ties back into the incentives these bureaucracies face. Since results such as economic growth lack immediate feedback and are mainly unobservable, donors do not have strong incentives to attempt to gather necessary knowledge in order to achieve the stated goals. Therefore, the wedge between private and political knowledge can exist due to the inability of bureaucracies to use market forces that reveal information and due to a lack of incentive to actually attempt to gather the necessary information [77].

5.2 Recipients' Knowledge on the Problem/Priority Needs

In addition to the donors, recipients must possess adequate knowledge about how to achieve these specific goals outlined by foreign aid. Even if we assume benevolence on part of recipient governments, we must recognize that they may not possess the necessary information to achieve results. Just like donors, recipient governments lack the ability to tap into the knowledge that is critical for success [78]. In addition, the individual citizens in these countries who are aware of the local knowledge and are more likely to know what is needed may not be aware that aid is available or how to get it [79].

Recipient governments use the same bureaucratic process that is used in developed countries' governments, the only process available to agencies operating outside the marketplace. As stated above, this process is incapable of tapping into local knowledge that is necessary for development at any level [80]. With foreign aid in hand, these poor mismanaged governments still must figure out who is in need, what is needed, and in what quantities. This may seem like a simple task, but as the previous examples illustrate, relying on the bureaucratic process, even in rich donor countries, to gather critical information often results in failure [81]. If rich donor countries are incapable of solving the knowledge problem, we cannot expect the governments of poor impoverished countries to possess adequate knowledge to make aid effective. Individuals in these poor countries often possess the knowledge necessary to achieve results; however, finding the foreign aid is often more elusive [82].

5.3 Accountability and the Empowerment of Intended Beneficiaries

Upward accountability by recipient countries to donors has demonstrated its serious limitations in terms of relevance as well as in its ability to detect corruption. Rather strengthening the accountability of aid toward intended beneficiaries is the most effective way of limiting abuses. An important precondition for this accountability link to function is the empowerment of disadvantaged populations in decisions made on the use of aid[83]. Accountability to beneficiaries is facilitated by their genuine participation in decision-making forums and implementation processes. Hopes of stronger public accountability and a decrease in corruption have often been frustrated when participation has been pro-forma. Disadvantaged populations have the largest stake in effective anti-corruption efforts[84]. Donors need to create a central role for beneficiaries in decision-making forums and processes on the formulation, implementation and monitoring of anticorruption strategies. Expanding the range of stakeholders at relevant levels of decision-making furthers transparency and public scrutiny and is a pro-active approach to countering corruption[85]. The role of civil society at all levels is critical for both the implementation and the monitoring of their engagement. Some recipient governments already have provisions for the participation of beneficiaries and civil society in poverty reduction programmes, pro-poor targeting and social audit[86].

5.4 Federalism and Decentralization of Governance Structures

Where governments choose to devolve responsibilities, revenues and administrative resources to local levels of government, there can be tremendous opportunities created for fighting corruption as well as establishing new frontiers in the battle. Decentralization offers an opportunity to strengthen public accountability in political and administrative dealings[87]. Both donors and recipient countries have recognized the capacity challenges and have tried to address these through dedicated programmes that support decentralization. For example, the role of oversight bodies and citizen recourse mechanisms is central to fulfilling expectations of increased accountability and reduced corruption. The challenges are similar to those at the level of the central government, requiring political commitment, capacity and resources [88]. Where decentralization is a stated aim of recipient governments, donors should work more closely with the ministries or local governments involved in the process to ensure that their sectoral support to health, education, water, agriculture, etc., is supporting local accountability and anti-corruption mechanisms within the framework of the reforms. Donors should support national level institutions in strengthening the local government's accountability to citizens by increasing the former's financial resources, supporting participatory budgeting and establishing social auditing and redress mechanisms [89].

5.5 Donor and Recipient Role in Assessing How Aid is delivered and Sanctioned

Donors must assess corruption and governance risks prior to deciding to support a particular investment project or sector programme. Where one partner perceives a high risk of corruption, it needs to address that risk by designing the aid project or programme and structuring financial transactions in a way that sufficiently mitigates the problem and enables cooperation to begin on a basis of mutual accountability[90]. Where large programmes are concerned, independent oversight is advisable throughout the life of the project to ensure early detection and prevention of corruption. Where minimum accountability standards in public financial management are not met, other options can be explored. These may include channeling funds transparently and directly to sectors meeting minimum standards, or to lower levels of government.In situations of high corruption, where the only options to deliver aid lie outside the government system and support must be directly channeled to communities, donors must engage simultaneously with the recipient government to address governance weaknesses in the relevant sectors. While the poor should not be penalized twice for poor governance (through aid reduction or termination), it is clear that donor modalities that circumvent public institutions are not sustainable and must be envisaged to evolve over time.

6. Conclusion

At best, aid to most Sub-Saharan African countries has been ineffective from an economic or institutional development perspective, enabling corruption, which undermine governments' will and ability to develop. For aid to be instrument supporting overall development, foreign aid processes must go beyond a narrow approach of addressing only a few key actors. Donors must proactively engage with the range of institutions in recipient countries that determine national integrity — the legislature, executive, judiciary, auditing bodies, media, etc. — and directly support them in fulfilling their role in developing a corruption-free society. Empowering the poor, the key stakeholders of aid, by including them in decision making processes on development and anti-corruption efforts will be necessary to ensure their authentic participation. Aid will act to enhance development where it supports such participatory processes not just at the local level but comprehensively in policy, budgeting and decentralization processes that seek to bridge the accountability gap.

Examples of how such processes can be established exist around the world. Some are led by national level governments to promote more accountable development in sub-national and local governments. Establishing inclusive processes for the design of development assistance, the choice of aid modality and the anti-corruption strategy that partner countries wish to pursue are already implicit in many donor guidelines. Civil society will need to ensure that anti-corruption efforts stay in the open and are openly designed and debated.

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