

EDITORIAL

This issue of DIALOGUE is devoted to the subject of development aid. Current conditions are favourable for the evolution of international co-operation policies and practices. Several factors are encouraging a growing reappraisal of development aid strategies and methods - such as declining budgets, severe criticism of the efficiency of past actions (particularly in Africa), and the wish by significant donors, such as the European Union, to review and renew their approaches. More and more, the strategy of development co-operation is becoming a subject for analysis in its own right, as distinct from the analysis of development strategies. DIAL is fully participating in this reflection. The economic analysis of development aid has gradually become an important field of study for our group.

The first two articles in this publication present a panorama of results from economic studies looking at the determinants and impact of public development aid. The first poses questions regarding the parameters and strategies that govern the international allocation of official aid. The second explores the issue of measuring the macro-economic impact of external support received by beneficiary countries.

The third article is of a different nature. It presents the results of a review of twenty years of aid to the Sahelian region. Undertaken by the Club du Sahel, with whom DIAL has been closely associated, this review concentrates not only on the results obtained, but also on the pertinence of the methods and instruments used by international co-operation agencies in regard to the Sahelian countries. This analysis of concrete development aid initiatives directed to the region concludes with a succinct presentation of a number of recommendations for future actions.

The summer break will be short for DIAL as it is busy preparing to host two conferences. On September 4 and 5, 1997, an international seminar will be staged on the topic of computable general equilibrium (CGE) modelling in development economics. This meeting, organised in collaboration with the Laval University (Quebec) Programme of Economic Analysis and Research Applied to International Development (known by its French acronym PARADI), will allow the exchange of rich and varied experiences. The conference will take place at the Ecole Nationale de Statistique et d'Administration Economique (ENSAE), Paris, and will be open to all.

The following month, from October 8-10, DIAL will welcome specialists from ten European research centres for a round table review of work undertaken within the framework of a comparative study of European aid targeted on poverty reduction. This study is being co-ordinated by the Overseas Development Institute (ODI), London.

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THE DETERMINANTS OF INTERNATIONAL AID ALLOCATION

What are the different parameters explaining the international distribution of public development aid? How have these parameters evolved with time? How do they differ according to the type of donor? Empirical studies undertaken regularly over the past twenty years allow some tentative replies to these questions.

I. The different rationales of aid allocation

It is possible to identify three main types of rationale, effective or intentional, determining the allocation of international aid.

The needs rationale. An obvious determinant of the level of aid is the extent to which it meets the needs of recipient countries and/or populations. Nevertheless the notion of need is difficult to define. The level of poverty or of shortage within a population is a complex notion (what should be taken into account - natural and human resources, inequalities, access to services, and so on?). Furthermore, needs may be proportional to factors other than poverty, such as debt levels, environmental risks, and so on.

The interest (proximity) rationale. Unlike the needs approach, this is a supply-driven logic determined by the characteristics of the donor, rather than of the recipient. Donor interest is manifest in many well-known forms - strategic or political interest, trade and commercial relations, cultural or historic ties.

The efficiency (merit) rationale. In this case, aid flows towards those opportunities where it will be most useful. In particular, it goes to the "best" projects and to the countries presenting the "best" profile - political and economic stability, good policies, good international relations. This approach is also supply-driven; its goal is however to produce results in the recipient and not in the donor country, as in the previous case. The efficiency rationale is frequently, and with some justification, confused with a rationale of merit or virtue. Aid is allocated to those countries complying with various preconditions, the criteria for which are established by the donors. Each of these approaches may be caricatured as being typical of one type of

donor and linked with one objective of public aid. The needs rationale corresponds to multilateral donors (such as United Nations agencies); here, aid is seen as an instrument for sharing and for international justice. The interest rationale may be associated with bilateral donors and aid viewed as a tool of foreign policy. Finally, the efficiency rationale could be attributed to agencies such as the World Bank and other international development banks, and seen as a component of long term economic co-operation taking under its wing those opportunities that are beyond the remit of the private sector.

II. An evolving situation

These three types of rationale have coexisted, de facto or by design, to varying degrees in the recent past. Furthermore, they have evolved in keeping with transformations in the international situation and with changing North-South relations.

Despite several attempts to provide a rational and objective definition of the external funding needs of a given country, such as two-gaps models, few have proven convincing. In the same way, comparability of international poverty indicators raises numerous reservations. It is difficult, in practice, to go beyond the simplistic analysis linking aid needs to per capita incomes. This inability to establish a satisfactory standard for aid allocation has in fact weakened the needs rationale.

International strategic interests have changed. Essentially political during the Cold War, they have since become more closely tied to commercial considerations and have also shifted towards international co-responsibility regarding major planetary issues - the environment, the consequences of poverty, population migrations, and so on.

The efficiency rationale has evolved as well. The perspective of project risk has now largely been replaced by one of country risk. Conditionality and structural adjustment have attempted to put merit and efficiency among the

primary determinants for aid allocation, while the economic viability of projects has diminished in importance. Besides, within the efficiency rationale, the causal link between the "merit" of a recipient country and the allocation of aid might now be at the point of reversal. Until recently, aid distribution has been conditioned by the recipient's subscription to a number of principles and promises of future reforms - reforms which aid was meant to support. It is now increasingly recommended that aid allocation be tied not to intentions for the future, but to prior, demonstrable efforts to introduce good policies. As such, aid is becoming a reward rather than an incentive for virtuous behaviour.

III. Empirical studies

Numerous empirical studies have tested different international aid allocation models over various periods since the beginning of the 1960s. As expected, results differ greatly according to the type of aid distributed.

a. *Bilateral aid flows*

Analyses by MacKinlay and Little (1978 and 1979) were the precursors for econometric studies of aid allocation. These authors studied aid supplied by the major bilateral donors to developing countries and attempted to explain per capita aid received with the help of two successive models; a recipient model, using variables reflecting the level of need in the developing country, and a donor model based on variables measuring the interest or proximity of the country awarding the aid to the recipient concerned.

The results obtained by MacKinlay and Little argue strongly in favour of a model based on donor interest. This outcome appears to illustrate the cynical nature of international relations in the heated climate of the 1970s, even where aid appeared to be most altruistic. These results have been confirmed by subsequent studies using alternative methods (recently, Burnside and Dollar, 1997). Indeed, it

now seems almost banal to recognise that the allocation of bilateral aid depends, first and foremost, on factors related to the donor country.

b. Multilateral donor support

Bowles (1989) examined aid supplied by the European Union and concluded that rationales of needs and of interest were both present. Per capita GDP and the fact of being a former colony of an EU member country appear as determinant influences explaining the allocation of per capita aid, coupled with the population size of the recipient country. This result is hardly surprising, given that aid supplied by the European Union presents characteristics somewhere between those of bilateral aid and of multilateral aid.

Frey and Schneider (1986) attempt to explain aid allocated by the World Bank using four models: a needs model, a merit model (macro-economic and political stability), a « salutary » model (countries engaged in the process of international integration but suffering sizeable deficits - debt, balance of trade, etc...), and finally a political economy model (identifying low-income countries close to the western camp). This last model, according to the authors' conclusions, appears the most representative.

c. Studies looking at overall aid flows

In studies of overall aid flows, Boone (1996), Naudet (1994), and Burnside and Dollar (1997) agree on a distribution that depends, to a large extent, on the characteristics of the recipient country. GDP per capita, illustrating the needs rationale, and population size (in the sense that larger numbers bring lower per capita aid flows) emerge as the two primary variables explaining the overall allocation of aid.

Furthermore Naudet (1994), like Collange (1986) before him for multilateral aid, identifies a progressive reorientation of aid strategy since the 1970s towards the needs approach. In effect, aid is being directed to a greater extent to low-income countries, to the detriment of middle-income countries.

Some studies test the efficiency rationale indirectly, seeking a correlation between the level of aid received and the quality of

policies adopted. Burnside and Dollar (1997) arrive at ambiguous conclusions. For them, the quality of policies adopted becomes a significant variable explaining aid received only when several other factors are taken into account (such as population, political and strategic interest, and so on)¹. This implies that while there is some effect from the application of good policies, this is entirely cancelled when other diverse considerations are taken into account.

IV. By way of conclusion

The confrontation of empirical results with the rationales supposedly driving aid allocation leads to four broad conclusions.

- Determinants of aid allocation indicate the existence of a mixture of rationales. In particular, the needs rationale and the interest rationale both appear significant. This is not necessarily contradictory. Strategies adopted by individual bilateral donors, based in the first instance on interest or proximity, could easily aggregate at the global level to an allocation subscribing to the needs rationale. The choice between interest and generosity does not automatically present a dilemma.

- None of the empirical analyses establish, in a decisive way, the adoption of a strategy based on efficiency or merit. This may appear surprising, after almost two decades of structural adjustment and aid allocation based on the intention or adoption of economic reform programmes. The current watchword for selective granting of foreign aid should thus, if one wishes to go beyond the stage of rhetoric, break with the traditional methods of distribution. It is however probable that, by and large, the efficiency rationale runs contradictory to the needs rationale. This does present a dilemma for the future allocation of aid.

- There are some signs, yet to be confirmed, giving grounds to think that the needs rationale is increasingly

relevant in explaining the allocation of aid, to the detriment of the interest rationale. This does not necessarily imply a profound shift towards altruism in the nature of motivations. Rather, it could indicate that the recognition of a need for collective supervision of major global issues (such as the fight against poverty, conflict prevention, environmental protection, control of international migrations) has brought donor country interests closer to those of the poorest nations. In other words, the interest rationale could be converging with the needs rationale.

- The significance of population size as a factor in aid allocation is frequently a source of puzzlement for analysts. Small countries receive significantly higher per capita aid. This cannot be explained precisely by any of the rationales described above. Several reasons for this phenomenon have been proposed. Economies of scale imply that proportionally greater support is necessary for infrastructure, institutions, or capital investments in smaller countries. This argument could be incorporated into the needs rationale. The aid system functions with entry costs and limited divisibility. In other words, once a donor institution is established in a country, it undertakes a minimum level of activity; given the sizeable number of donors, this could result in relatively more aid being allocated to smaller countries. Finally, aid should also be appreciated in terms of power. A donor reaps far greater influence from the same amount invested in a smaller country than in a larger one. Such an argument represents closer correspondence with the interest rationale.

¹ It is curious to note that the quality of policies adopted emerges as a more significant factor in the allocation of bilateral rather than multilateral aid.

THE MACRO-ECONOMIC IMPACT OF AID

Since the early days of foreign aid, the issue of measuring its impact has been - legitimately - raised. This preoccupation is expressed at the micro-economic level by the analysis of achievements, progress or incomes that aid allows to attain directly. Impact evaluations have filled this role. Analysts have also attempted, at the macro-economic level, to single out the impact of aid on the well-being and living standards of the populations. On the face of it, aid seems to be justified only by its eventual impact at this level. Would it be possible to justify an aid that would have effect only at an intermediate level, without causing a general improvement for the whole of a population? This question will be reviewed in conclusion.

I. A question of methodology

Measurement of the macro-economic impact of aid is an attempt to isolate, within a complex process, the relationship between cause and effect. To do so it is necessary to establish benchmarks that may serve as a basis for comparison of the results actually obtained. Three methods are possible, according to the benchmarks selected.

The comparison of results obtained with initial objectives. This method, widely used in the evaluation of specific actions, is poorly adapted to the appreciation of macro-economic effects. In general, it does not allow the attribution of various possible causes, such as the aid received, to the differences existing between objectives and results. Furthermore, the approach puts much emphasis on the initial objectives which, in many cases, are set at an ambitious level. This method appears to leave significant room for subjective interpretation.

The simulation method consists of reconstructing what might have happened in a given situation with

different levels or types of aid. This method implies the macro-economic modelling of the effects of aid, a field of study that is little-investigated at present (Mosley et al, 1991).

The spatial or temporal comparison of macro-economic results obtained by different beneficiaries with different levels of aid. This method generally involves econometric analyses based on synchronic (with/without) or diachronic (before/after) comparisons, or a combination of the two (panels). It has been widely used in recent decades.

The last method has allowed the progressive construction of a solid body of results, widely agreed to and presented below. Nevertheless, the limits to this method must be kept in mind when looking at the broad question of the effectiveness of aid.

II. Aid without impact

The results of econometric analyses of the macro-economic impact of aid (several dozen have been undertaken since 1970) may be resumed in four broad points.

All studies agree on the absence of discernible effects of aid on growth¹. This result is statistically very robust. It emerges regardless of the method used (time-series or cross-country analyses, panels), the period considered (from the 1960s until the present day) or the control variables selected (population growth rates, exchange rates, debt, savings, exports, and so on).

The impact of aid on broad social variables has been much less researched, but studies appear to lead to the same conclusion of non-

¹ One single study shows the contrary (Papanek 1973), but this has since been widely contested (notably by Mosley, 1980, who used the same data).

significance. Mosley and Hudson (1996) used a time series to test the effect of aid on infant mortality in 19 recipient countries and found only one - partly significant - positive result (for Indonesia). Boone (1996) tested the effect of aid on primary school and infant mortality rates in 96 countries over the period 1970-90 and failed to discover any more significant results.

Several studies have analysed the crowding-out effect of foreign aid. In particular, the impact of aid on investment and domestic savings has been widely studied. Also examined has been the effect on fiscal pressures. Several studies, for the most part now dated (in particular Griffin, 1970 and 1978), establish the existence of a negative linkage between domestic savings and external aid. This result was confirmed by Boone (1996) who found an elasticity between consumption and aid close to one and statistically very significant, as well as an elasticity between investment and aid close to zero. Boone's model led him to conclude that everything happens as if three-quarters of aid provided was converted into public consumption while one quarter went into private consumption (with nothing going to investment!). Nevertheless, Boone noted a difference for those countries where aid represented more than 15% of GDP; in these cases he found a significant positive link between aid and investment. Nevertheless, not all results confirm evidence of a crowding-out effect. A number of studies (such as Mosley and Hudson, 1996) conclude, to the contrary, at the absence of any significant link between aid and domestic savings.

Some studies have specifically looked at the impact of structural adjustment (for example, World Bank, 1994, Mosley et al, 1991). This research demonstrates that positive impacts are often tied to the implementation of policies introduced as part of adjustment programmes.

On the other hand, they fail to identify any connection between the level of aid received and the adoption of good policies, or between the amount of adjustment financing and the rate of growth.

Summing up, Riddell (1987) was concluding in these terms an overview of these studies.

"There can be little doubt that the results of these tests provide a far from reassuring picture. Many studies record a negative relationship between aid and domestic savings, some reveal an inverse relationship between aid flows and current account deficits of the balance of payments, while others fail to provide a statistically significant and positive relationship between aid inflows and economic growth." (Riddell 1987 : 104)

This conclusion was repeated ten years later by Mosley who, like Riddell, may nonetheless be considered among the advocates for foreign aid.

"Empirical work so far at the macro-economic level has, in the main, reported insignificant coefficients of impact of aid on growth and negative coefficients of aid on savings." (Mosley 1996 : 5)

III. Counter-arguments to these disquieting results

The repeated absence of measurable results poses a serious question for aid. Beyond the hasty conclusion that aid serves no purpose, various explanations have been proposed for such an outcome.

The main argument rests on the requirement for appropriate policies to be in place to make aid efficient. Aid cannot, by itself, catalyse development and its effect can only be measured when it is applied within a framework of "good" policies. In the most recent study on the subject Burnside and Dollar (1997) defend this thesis, stressing the significant impact on growth of a

variable combining the level of aid and the quality of policies pursued. Many authors conclude their studies in a similar way, noting that aid is ineffective not because of any principle, but because of the way it is often applied in practice.

Whatever the merits of this explanation, undoubtedly valid, one may question whether it is sufficient. First, the regular absence of correlation between aid and growth, temporally or spatially, leads to the conclusion that aided countries rarely adopt good policies. Such a result is difficult to admit, unless it is presumed that aid is a disincentive to the adoption of good policies (certain authors take this line, such as Berg in Michailof, 1993). Dollar and Burnside (1997) disavow this hypothesis, since they do not find any relationship between the level of aid and the quality of the policies adopted.

Second, the general absence of an impact of aid on growth is a very puzzling result. How is it possible to imagine that aid, which accounts for between 10% and 15% of GDP in several recipient countries, contributes nothing to growth, if only by the simple Keynesian effect of expenditures? How is it possible to reconcile this macro-economic result with direct observations in the field and the results of evaluations? Beside its Keynesian effect and to mention only its most quantifiable aspects, aid has clearly allowed roads to be built, social and economic infrastructure to be developed, education and health provision to be expanded. How is it possible to admit and to explain that all these expenditures and their results, even when accompanied in part by inappropriate policies, have had no impact on growth? This might require a leap of imagination.

A plausible level of explanation is based on the idea of overall negative impacts, which would counterbalance the positive effects of individual realisations. Such negative impacts would stem, in particular, from the crowding-out effects mentioned

above, from the overvaluation of the exchange rate (Griffin, 1970), from the distortion of the interest rates (Friedman, 1958) or, in the case of heavily-aided countries, from a dependence effect leading to the undermining of local management responsibilities and the disorganisation of institutions (Berg, 1996).

This "subversive" view of aid is however not the only possible explanation for the results obtained. A review of the methodology unanimously applied in empirical studies is useful to underline its limitations, and to show that results follow, in part, from the approach adopted. Three methodological factors weaken the validity of the results.

Aid when examined globally is poorly suited to impact studies. Most research is based only on overall aid figures as provided by the OECD, without allowing for the fact that this figure is a mixture of real and fictitious aid flows (such as debt forgiveness), of expenditures undertaken both in the donor and the recipient countries, and of costs valued at prices applicable in the recipient and donor country. All of these qualifications limit the significance of the measurement of aid and blur its relationship with the expected effect. In addition, total aid covers objectives which produce results over very different time frames ; the effects of employment creation programmes or balance of payments support are almost immediate, those for infrastructure development are spread over the medium-term, and positive results from primary education initiatives or institutional development may take decades to appear. How is it possible to test the impact of an artificial aggregate compounding actions of such a wide variety ? What time-frame should be chosen to assess the expected effects ?

The causal relation between aid levels and growth is not univocal. The apparent absence of linkage may be explained by crossed causalities of the variables observed,

or by their dependence on common underlying factors. As such econometric tests have but limited validity².

- Certain underlying structural factors, such as ecological fragility or the weakness of social indicators, could explain both the poor overall performance and a high and expanding level of aid. A common causality could therefore be at the origin both of a modest pace of development and of a significant aid effort over the long term, and lead to the impression of a low level of aid efficiency.

- The causal link between aid and growth is equally complex in the short term. Aid is often provided for crisis prevention or management. In such cases, it is obvious that aid increases precisely when overall results are weakest.

Finally, the relationship between the level of aid and its impact is complex. All that these comparative analyses might indicate (subject to the above qualifications) is that the adage "more aid produces more growth or well-being" cannot be substantiated. This in no means implies that there is no link between aid and growth. One could easily imagine that the marginal efficiency of aid is real and positive at first, but that it is decreasing and might eventually turn negative. This could explain why the test of a continually positive link between the level of aid and economic growth leads to insignificant results.

These arguments are sufficiently plausible to leave room for the belief that aid could have a positive macro-economic impact, even though this impact can not be detected by the analytical methods used. Nevertheless, they only provide a defensive argument, and in no way contradict the possibility of negative results. In sum, it is not possible to conclude that aid has no positive

impact, but it is equally impossible, using current methodology, to establish that such an effect does exist.

IV. The current position

The current absence of proof of aid effectiveness should be worrying not only for the defenders of the aid system against its detractors, but also for those trying to guide it towards improved results. This outcome is even more sensitive given the present "aid crisis" where stress is being increasingly placed on aid efficiency. This difficulty has encouraged the different analysts and institutions involved in aid allocation to adopt various positions.

In the first place, regarding research, it appears necessary to develop analytical methods capable of overcoming the difficulties mentioned above. There is presumably no need to repeat global cross-section analyses, the results of which are already well known. It would be more useful, on the other hand, to seek diversified methods and new approaches to understanding the problem (such as attempted by Mosley in his research). For example, the simulation of counterfactual scenarios, while it appears complex, is probably appropriate.

In second place, the hypothesis that the efficiency of aid is real, but that the adoption of "good" policies is a prerequisite to this efficiency, as advanced by Burnside and Dollar (1997), remains to be confirmed by more numerous and more independent analyses. The argument seems, in any case, to be gaining ground within multilateral institutions (including the European Commission). It encourages development of a selective aid strategy which concentrates (at least for certain types of aid) on those countries best equipped to efficiently use the support.

This new orientation leaves out the cases of numerous countries (how many heavily-aided countries spontaneously adopt « good »

policies today ?) and of certain types of aid (such as assistance to capacity building). Should support be withdrawn for these countries, frequently among the poorest? Should such types of aid be abandoned given the absence of proof of their macro-economic impact? Riddell (1996) provides a pertinent argument to shed light on this dilemma, claiming that impact research confuses the motives and the purposes of aid initiatives.

If the motive for allocating aid is macro-economic in nature (poverty reduction, satisfaction of basic needs, etc...), it should not automatically be presumed that the immediate objective is to ensure growth or to reduce poverty. This would imply that aid is, by itself, a factor in development. The purpose of aid should only be to act on the capacities and capabilities of the beneficiaries, so that they may fulfil development objectives by themselves. Aid should thus be judged against progress achieved in these areas. In other words, Riddell is pleading for the examination of aid results at a "meso-economic" level - the only level where effects can actually be identified and attributed to aid.

The relationship between human and physical capital development and macro-economic objectives such as growth or poverty reduction is complex and very long term in nature. None of the current measures of the macro-economic impact of aid can pretend to take account of this relationship. As such, aid cannot be assessed, and even less condemned, on the sole ground that short or medium term macro-economic results have been disappointing.

² Burnside et Dollar (1997) overcome this difficulty, in part, by using a simultaneous equation model explaining both growth and the level of aid received.

THE LESSONS OF TWENTY YEARS OF AID TO THE SAHEL REGION

The Club du Sahel, created shortly after the great drought of 1973-74, has seized the occasion of its twentieth anniversary to undertake an in-depth review of its aid-related actions (Naudet, 1997). This review, particularly directed to the analysis of concrete aid practices, allows useful lessons to be learnt from past experience and a foresight of co-operation with the Sahel countries for the generation to come.

A nuanced result despite a strong imprint of aid in the Sahel

An initial conclusion is that there is clear evidence of the aid effort in the Sahel region. The effects can be clearly identified through advances in infrastructure, telecommunications, and the institutional framework, as well as the development of several agricultural zones, better access to clean drinking water, and the progressive eradication of endemic diseases. But the effects of aid have been extended in less obvious ways : in manpower training and education, in policy definition and application, in the rising consciousness of civil society, and so on. In a more global manner, it is clear that aid has been a significant factor in the opening of the Sahelian countries to the international community and for the circulation of information. Finally, several observers see the crisis prevention aspect of aid as a factor explaining the relative economic and social stability of the region.

When measured in terms of population living standards, however, progress appears limited. Human Development Indicators rankings produced by the UNDP show three of the Sahelian countries among the five at the foot of the table. More than 60% of the rural population subsist below the global standard of poverty, as defined by a minimal consumer "basket". Private investment towards the region is extremely weak and the risk of further crises, notably those of an

environmental nature, weigh heavily on its future. Nevertheless, progress achieved to date is not inconsiderable. Advances are real and identifiable, regarding food security, socio-political organisation, civil awareness and the development of export-oriented activities such as cotton production. Despite this, it must be recognised that the many achievements and advances assisted by foreign aid have failed to provide leverage for a general progression of household living standards.

A general sense of dissatisfaction

A second conclusion often reached in debates on this subject is that aid flowing to the Sahel region leaves a feeling of dissatisfaction, shared by donors, recipients and aid workers alike. This arises, in part, from an occasional sense of deception with results achieved, notably regarding the frequent absence of sustainability, but also from a critical perception of the concrete practices of aid in the field. This last point may be resumed by two main criticisms.

Aid is donor-driven. From its initial concept until final evaluation, the aid cycle is controlled by the donors; the recipients are simply participants in the process. In the Sahelian case, the correspondence of actions to the real requirements of institutions and populations is thus limited and, furthermore, discourages the full implication of local actors.

The aid system lacks cohesion. If, as experience progresses, every aid agency and a fortiori each aid operation is accompanied by more coherent and more efficient supports, the same cannot be said of the aid system as a whole.

- The aid system tends, sometimes, to hamper the capacities of Sahelian institutions. The multiplication of enclave or derivative structures in the institutional framework, the ad

hoc establishment of salary scales, and the attraction (often temporary) of the best qualified personnel towards the aid system considerably weakens the cohesion of institutional systems established in the recipient countries.

- The aid system generates saturation effects; too many programmes, too many conditionalities, too many projects and initiatives, too many different procedures. This has, as an initial consequence, the overloading of beneficiary institutions. For example, Sahelian institutions are frequently asked to handle an unreasonable panoply of planning and programming instruments.

- The aid system favours a dulling of the sense of responsibility among local managers, contributing to an oft-noted attitude of passivity among the institutions. This has promoted the development of financial incentives to allow certain activities to proceed under normal conditions. It has resulted in a climate that is an obstacle to genuine participation.

These criticisms of the management of aid are serious. They go a long way towards explaining the dissatisfaction expressed, despite the large number of successful operations supported by foreign aid. The legitimacy of future aid initiatives depends, in part, on the capacity of donors and recipient authorities to overcome these malfunctions. Past experience invites us to consider four principal lessons.

Lesson 1 : Construct instruments that are more flexible and better adapted to the problems facing beneficiaries

Analysts are unanimous in noting that aid leads to the adoption of certain quasi-identical predetermined acts in very different local

situations, which are by their nature poorly adapted to the specificities of problems faced by the beneficiaries. This conclusion applies equally to structural adjustment aid and to rural actions by NGOs.

This situation arises in part from the aid instruments used. The phase of definition or conception frequently restricts possible future actions within a standardised approach that the operational phase, geared primarily to executing the project or programme, can modify to a limited extent only. Aid is defined in function of an earlier diagnosis which is frequently built not around the problems or hopes of local actors, but around available "solutions". Problems are defined, consciously or not, according to the instruments, budgets and solutions that experts know they can mobilise. Thus technical problems are designated when the solutions are technical, and environmental problems appear where solutions touch on this theme, and so on. Aid practitioners frequently seem to behave like salesmen of mass produced goods.

The management and appropriation of aid initiatives conceived in this way contributes yet further problems for the recipient countries, rather than resolving those already present. The demands of administering aid add to the demands of promoting development. The requirement by donors for medium-term communal development plans to be prepared for newly decentralised Sahelian authorities (plans that are not prepared even by communities in the developed countries) represents just one example among many. Aid operations often appear more adapted to manipulating the instruments of aid, rather than to providing a lasting solution to the problems of Sahelian beneficiaries.

This criticism has been partly heeded. Over the past few years there has been a growing and promising increase in more flexible approaches, linked more closely to the phases of implementation (the "process" or "flexible funding" approach). These initiatives place greater importance on assisting the aid partner rather than on

the strict observance of targets established at the outset. In addition, this new approach imposes a change of habit by the aid agencies, leading to lesser programming, to dispensing smaller sums more frequently, and to durable intervention.

Lesson 2 : Reinforce the mechanisms of expression for a motivated request for aid

The aid "market" appears to be supply driven. Requests from Sahelian countries frequently play but a minor role in the nature of actions finally undertaken. Indeed, it is pertinent to ask who is the supplier and who the "client". With the progressive disappearance of requirements for real financial counterparts, the aid market has in many cases been inverted. Donors often appear in the position of soliciting agreements, rather than as suppliers of aid. The "sale" of a project is accompanied by various advantages for the beneficiary institutions, from the supply of equipment, to subsidies and, in many cases, even to salaries.

The absence of counterpart funding is at the heart of the malfunctioning of the aid system. It hides limits to the absorptive capacities of the beneficiaries and, as a consequence, contributes to generating numerous cases of « aid surfeit ». More generally, it contributes to making lose sight of the real demand of the Sahel. Counterpart funding is in fact the only signal which permits to identify, validate and grade these capacities. In the Sahel today, aid appears as a zero or negatively priced service. In such circumstances how can we be surprised at its excessive or casual use ?

Sahelian governments only partly fulfil their natural role as intermediaries between the aspirations of their populations and the support offered by donors. The level of confidence between these

governments and the donors is often weak. Aid suppliers doubt the confidence that populations place in some of their administrations. As such, aid administration is scattered and handled by ad hoc co-ordinating structures, executing agencies, NGOs, associations, and so on. These structures derive their legitimacy from the aid agencies; as such they have a natural tendency to reinforce the supply, rather than relay the demand for aid.

More and more, Sahelian institutions, governments and civil society are prepared to assume greater responsibility in the management of external aid. This slow but profound evolution must be nurtured. Above all, mechanisms must be established, such as counterpart funds (increasingly respected regarding aid to populations), which allow promotion of this sense of responsibility and provide the means for donors to identify and assess active demands coming from the Sahel.

Lesson 3 : Less visibility for greater impact

The requirement by donors for precise, visible and measurable results often outweighs more long term preoccupations such as the accompaniment of (slow) internal processes of development. Within a limited climate of confidence, and in order to guarantee visible results and justify the amounts invested to their constituencies back home, donor agencies establish financial, information and reporting circuits within beneficiary institutions which permit close supervision of their undertakings. These monitoring tools derive from the legitimate requirement by donors for results, but they also contribute to undermining the ownership of the beneficiaries. Furthermore, these mechanisms result in the duplication of established administrative procedures and add to the loss of coherence within Sahelian institutions.

Risk management, by the donors, is at the heart of this problem. Numerous aid instruments, notably the circuits mentioned above, are set up in order to eliminate risk and to arrive at the intended result. These instruments cannot but contradict the uncertainty that characterises their milieu of intervention and result in reciprocal attitudes of substitution and passivity or worse, conflict. Minimal risk strategies may guarantee a certain level of results, but equally limit the possibilities for appropriation and wider success.

Incitement to risk could be transformed through the system of aid evaluation. The present system comprises multiple detailed studies addressing individual initiatives (roughly 2000 evaluations have been undertaken in the region over the past 20 years). This system leads to a narrow vision of the results of aid, to individual failure-avoidance strategies and, finally, to the poor functioning of the learning process.

Donors are conscious of the need to redefine the results of aid, and to place greater emphasis on impact rather than visibility. This requires, in particular, a look at the effects of activities in sufficiently broad sectors, over the long term and, of course, taking into account the totality of external interventions. New types of thematic or sectoral multi-donor evaluation are required (the principles of which are under consideration), evaluations which are destined to become the common parameters for debate and dialogue between the partners.

Lesson 4 : From managing crises to accompanying development

The Sahelian experience shows that the approaches and instruments of aid are too often linked to crisis situations where donor agencies become executing agents using relatively standardised methods. To be sure, the international community has several times been faced with major problems that threatened to overwhelm Sahelian societies (recent food crises, the

financial crises of the 1980s). In such cases, where the goal was to manage extreme situations (and prevent their recurrence), the aid system intervened promptly in a massive, and sometimes authoritarian way.

Aid designed to improve Sahelian capacities and develop opportunities must, however, respect a different rhythm. It is a never-ending process. Instead of pulling, aid must accompany ; instead of transmitting messages or goods, it should propose choices. There is too often a tendency to consider each Sahelian village, economic activity or administrative service as an institution in crisis that absolutely must be reformed according to external designs, applied, as necessary, through systems of financial incentives.

Donors now agree that capacity building and institutional development are major factors in development. But do they possess proven efficient instruments to assist in these areas? The review of experiences in the region shows that classic aid interventions have produced limited results. It is not enough to stress institutional development. This must be accompanied by concrete innovative efforts to devise methods and instruments capable of tackling this question in the future.

Conclusion : A necessary restraint ?

The malfunctions of the aid system, in practice, must be put in perspective. They should not hide the results obtained but must, on the other hand, be taken very seriously. Aid cannot durably continue to operate without raising, among Sahelian and western actors alike, sentiments of approval and satisfaction.

If aid efforts have failed in the past, this is often due to disproportional interventions. In the Sahel region, aid has occupied a place that is too important and too central. The

desire to assist, to reform, and to fund has sometimes prevailed over the need to respect the fragile structures of transformation processes within Sahelian societies. This conclusion should not be interpreted as a condemnation of aid actions in their totality. The challenges facing the Sahel remain considerable. Private investment has yet to reach this part of the world. Aid must, however, evolve in phase with Sahelian societies.

In the first place, Sahelian ownership and responsibility regarding the aid received by the region must increase progressively. Aid should become a topic for reflection and debate in the Sahel, allowing a position to be established -which is not yet the case. This must be accompanied by a modification of the aid system. Donor agencies have acquired much experience and savoir faire but need, in future, to be more willing to listen and to debate (with the Sahelians), to use instruments that are more flexible and less demanding, to erect safeguards and constraints (such as counterpart funds) and, without doubt, to introduce a stricter code of ethics. These could define a new restrained attitude for future generations regarding support for the Sahelian region.

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