

https://dspace.org/

The aid dependency curse and its impact upon the institutions of African states. What is the effect of foreign aid dependency upon the ability of governments to strengthen their national institutions and pursue their own policies?

Letsoalo, Keitumetse

2014-01-23
http://hdl.handle.net10539/13594

Downloaded from a DSpace repository. https://dspace.org/

ACKNOWLEDGEMENTS:

Writing this dissertation has been great challenge but the following people made the process meaningful. First and foremost, I would like to express my gratitude to my supervisor Stephen Louw. Your guidance, support and comments were invaluable. I would like to offer my special thanks to my friends, their warm encouragement, advice and insightful knowledge is deeply appreciated. Thank you for sharing my burdens and for helping me realise that laughter is the best medicine. Finally, I would like to thank my family for their words of encouragement, support and patience. I am grateful that I have all of you in my life. This dissertation is dedicated to you.

ABBREVIATIONS and ACRONYMS:

ADMARC	Agricultural Development and Marketing Corporation
BTI	Bertelsmann Stiftun's Transformation Index
CABS	Common Approach to Budget Support
CAS	Country Assistance Strategy
CG	Consultative Group
DAC	Development Assistance Committee
DAD	Debt and Aid Management Division
DANIDA	Danish International Development Agency
DAS	Development Assistance Strategy
DFID	Department for International Development
EC	European Commission
ECF	Extended Credit Facility
ESAF	Enhanced Structural Adjustment Programme
ESF	Exogenous Shocks Facility
FISP	Financial Information Systems Plan
GNI	Gross National Income
HIV	Human Immunodeficiency Virus
IDA	International Development Association
IFIs	International Financial Institutions
IMF	International Monetary Fund
IFMIS	Integrated Financial Management Information System
ILO	International Labour Organization
LDCs	Least Developed Countries
LICs	Low Income Countries
MEGS	Malawi Economic Growth Strategy
MDGs	Millennium Development Goals
MFDP	Ministry of Finance and Development Planning

MGDS	Malawi Growth Development Strategy
MP	Member of Parliament
MPRS	Malawi Poverty Reduction Strategy
MTCS	Medium Term Competitive Strategy
MTEF	Medium Term Expenditure Framework
MWK	Malawi Kwacha
MTR	Mid Term Review
NORAD	Norwegian Agency for Development Cooperation
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of the Petroleum Exporting Countries
PAP	Poverty Alleviation Programme
PEM	Public Expenditure Management
PEPFAR	President's Emergency Plan for AIDS Relief
PER	Public Expenditure Review
PRGF	Poverty Reduction Growth Facility
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
RBM	Reserve Bank of Malawi
SACU	Southern African Customs Union
SAP	Structural Adjustment Programme
SWAP	Sector Wide Approach
SWGs	Sector Working Groups
TA	Technical Assistance
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme

CHAPTER ONE: GENERAL INTRODUCTION

While many have argued that foreign aid is good and that it can help those who are in need of it, it continues to be one of the most contentious issues within international development. Many such as Jeffrey Sachs and Bono have campaigned to "Make Poverty History", and have called for more aid under the premise that the resources and skills that aid provides will ultimately make a difference in the lives of those being assisted and that Millennium Development Goals (MDGs) will be achieved. Many have brought forth the issue of whether aid does work in promoting growth and ultimately reducing poverty. As the deadline for halving acute poverty by 2015 approaches, it seems that aid in many developing countries has not accelerated progress towards reaching that goal. Thus, its success has not amounted to the success that it had with the Marshall Plan.

Development aid is considered to be a phenomenon of the post World War II Context. Prior to the success of the Marshall Plan, there was little public awareness of foreign aid; however, today it is a big enterprise that has become a global phenomenon (Riddell, 2007). Development aid received a lot of attention, after its implementation proved to be successful with the Marshall Plan in Europe after the Second World War. As most of Europe was decimated by war, the United States launched its first biggest foreign aid initiative, the Economic Recovery Programme as proposed by Secretary of State, George Marshall (Sogge, 2002: 1). Launched over a period of four years from 1948-1952, US$13.3 billion was allocated to sixteen states and it accounted for about ten percent of their gross domestic product (GDP). The success of the Marshall Plan operated under recipient friendly conditions, as recipient states were able to devise and follow aid as a plan and therefore rebuild their economies. Thus during this period aid was regarded as something finite thus recipient states were not wholly dependent on aid, as it was temporary and something that could complement the national resources and efforts of recipients. However after more than sixty years of existence, aid has become a permanent phenomenon and has become a considerable source within the national economy of many recipients and as a consequence recipients have become either more or less dependent upon it (Carlsson et al, 1997: 1).

As mentioned above, aid has become a post war phenomenon that has not only become a large and complex enterprise as Riddell (2007: 1) states, but it has also proliferated bilateral and multilateral institutions who have contributed towards delivering aid to developing and poor states. In recent years aid has become a subject of debate, Carlsson et al (1997:1) have

alluded to the fact that this debate has been prompted by global events such as the collapse of the Soviet Union: security motives for aid disappeared however these have returned with the war on terror; changes in the Soviet Union also increased competition for available resources; there has been the debate of economic policies for economic growth: whether to use state led growth or place emphasis upon market fundamentalism. Carlsson et al (1997:1) have argued that the emphasis placed by international institutions on market fundamentalism, has permeated into aid practices. Therefore, recipients of aid have had to adhere to economic policies prescribed by international institutions in the hopes of achieving growth. Thus with resources, power and missionary zeal, the bilateral and multilateral institutions have become more concerned with policies to attain growth rather than maintaining high levels of aid flow. Aid agencies have placed pressure upon donors to change their policies as a means of attaining the much-needed finance. Imposing policies has done more harm than good for recipients: it displaces the local concerns and solutions and it overrides national sovereignty (Whitfield and Maipose, 2008: 1).

Another issue that has come forth is that there has been growing disillusionment with the performance of aid. Authors such as Dambisa Moyo and William Easterly have encouraged public debate and have prompted the re emergence of old questions, such as the following: Will an increase in aid, reduce poverty levels around the world given the record of previous decades?; what is the connection between aid, growth and development? Donors have prompted the question of whether recipient states have the capacity and the ability to absorb more aid and whether it will be utilised efficiently: will it be used to encourage rent seeking behaviour and not reach those it was intended for? Recipient states have asked if the donors are earnest in their pledges towards "Making poverty history" and will deliver on promises made (Carlsson et al, 1997: 1; Riddell, 2007: 2; Sogge, 2002: 2).

Many states have failed to see the positive connection between aid development and growth. Particularly states within sub Saharan Africa. Africa has an average per capita income of approximately US$1 a day, thus it remains the poorest region in the world (Moyo, 2009: 5). Its real per capita income is considered to be lower than it was during the 1970s, which means that Sub Saharan Africa has fallen behind other regions in the world (ibid). Why has this been the case? Some may argue that Europe's success with aid is attributed to the fact that states had efficient government bureaucracy, well-integrated commodity systems, a well-trained and educated workforce and the motivation to succeed. Thus, they possessed the necessary institutional, structural and attitudinal conditions in place (Todaro and Smith, 2009:

115). Bräutigam and Botchwey (1998:1) have argued that effectiveness of governance is based upon good political leadership, capable public institutions and societal expectations. There needs to be good leadership, which is able to provide a developmental vision and goals; capable institutions, which are there to articulate the vision and goals into plans, policies and programmes and groups within society who are able to reinforce the vision and hold political leadership responsible should they not fulfil their duties. Moyo (2009) has argued that Africa is characterised by dysfunction: corruption, the erosion of social capital, weakening of state institutions and the reduction of domestic investment. Initially, aid was supposed to be used as a gap filling apparatus that would enable states to access extra funding to supplement shortfalls in savings and foreign exchange (Bräutigam and Botchwey, 1998: 5). However, over a long period, aid has become a large scale and multifaceted industry that has aided developed and developing states. Moyo (2009: 65) states that with the official development assistance (ODA) that the sub Saharan continent receives at ten percent of public expenditure and at least 13 percent of GDP for each state, aid dependency is one of the problems that the continent is facing.

When a state is heavily reliant upon foreign aid, it can have various impacts: donor goals and visions can substitute the developmental vision and goals of the recipient state. Thus, if donors are extensively involved within the affairs of the recipient state, who are states essentially accountable to? Aid dependency is evident in the manner in which African states cannot do without aid in their recurrent budgets: aid accounts for 10 percent or more of GDP (Bräutigam and Botchwey, 1998: 1). It is also evident in the manner in which there is leadership deficiency when it comes to articulating a vision for development and dealing with poverty; it is apparent in the manner in which governments lack the capacity to operate and manage projects and programmes without foreign expertise.

Thus this paper seeks to explore the impact of aid dependency upon the ability of African governments to strengthen their management capacities both institutional and individual when it comes to managing development initiatives of which aid is part of. This paper also seeks to examine and analyse state institutions that have made aid either effective or ineffective within states. Moyo attributes Africa's woes to be deeply rooted in aid. Is this really the case? Why has aid not been effective in various regions within Africa? Can this be attributed to the management capacity of recipient states? What are the factors that may have an impact upon the ability of African states to identify, design, implement, monitor, coordinate, and evaluate various aid projects and programmes? If projects and programmes

fail within sub Saharan states, to what extent can the recipient state take responsibility and to what extent should the donor take responsibility?

While high levels of aid have often been associated with aid dependency, it is important to note that aid dependence has allowed some states to articulate their vision for development and ultimately design, implement, coordinate and evaluate development aid projects and this has led to an improvement in the standard of living for citizens. Aid has also improved the capacity of some states such as Mauritius, thus enabling it to "graduate" from aid programmes (Bräutigam and Botchwey, 1998: 2). In other cases, aid dependency has contributed towards the weakening of state's institutional capacity; revenue instability and repetitive budgeting; it has also contributed towards the loss of sovereignty and ownership in policies and plans with serious implications for sustainability of projects and programmes within recipient states (Bräutigam and Botchwey, 1998: 2). The impact of aid upon governance cannot be understood solely without assessing the donor recipient relationship.

Ownership or lack of ownership of recipient states is linked to the donor recipient relationship. "Ownership" is a popular catchword within the international development debate. Carlsson et al, (1997: 10) have stated that ownership encapsulates something critical for aid effectiveness, a sense of involvement on the part of the recipient. They do note that lack of ownership on the part of recipient states, has been a recurring theme in analysing projects. Thus, the quality of aid is dependent upon the relationship that exists between the donor and recipient. Policy dialogue between donor and recipient can either have a positive or negative impact on aid effectiveness: donors may intrude excessively and may be motivated by commercial or political motives rather than the development of the recipient state. Recipients may complain of counterproductive conditions of tied aid. While donors may be held responsible for failures, recipients are not without fault because, they may fail to take an interest in aid programmes and projects and donors may have to take that responsibility (Carlsson et al, 1997: 11 Cassen et al, 1986, 15).

Another aspect that is apparent is that donors and recipients may have different preferences when it comes to policies, however if African states are dependent upon aid this can lead to a reduction in the quality of aid. This is because asymmetry in resources and capacity between donor and recipient can result in donors being in the 'drivers' seat', while recipients may choose not to commit to aid programmes and projects and as a consequence the quality of aid may decrease (Carlsson et al, 1997: 11).

Therefore, the issue of aid dependency also raises the issue of the power relations that exist between donors and recipients. This research contribution is significant, as it will compare two African states that are or were considered to be aid dependent and therefore show the relationship that each of these states formed with their respective donors. This paper will also show how aid dependent states have or have not overcome dependency upon aid and under what circumstances these states have been dependent on aid. This paper will also draw lessons from each of the case studies and show how states can overcome dependency and use aid to supplement domestic savings rather than use it as a substitute. This paper does acknowledge that there are socio political, economic, socio-cultural and environmental aspects to consider within each of the case studies and therefore they may have an impact upon aid effectiveness or dependence on aid within each state.

1.1. Problem statement:

Some have questioned the accountability of recipient states to constituencies in aid dependent states. It is assumed that aid dependent states lack the space and power to use locally developed solutions. It has been suggested by various observers, that a reduction in dependency allows the prioritisation of domestic policies, along with less meddling and less dialogue from donors (Action Aid, 2011a: 3) Aid dependent states cannot challenge donor macroeconomic frameworks and lack the ability to say 'no' to external consultants. Thus if this is the case, then aid dependency may ultimately undermine the rhetoric of ownership, participation and accountability, principles that the aid industry seeks to promote. Using the experiences of Botswana and Malawi, this paper will attempt to answer the following questions:

1) What is the impact of having more or less resources?
2) What political and economic conditions have reinforced dependency on aid in Malawi and Botswana?
3) To what extent are development strategies supported by donors?
4) What is the effect of aid dependency on the ability to negotiate development strategies?

1.2. Methodology:

This is a qualitative, comparative analysis of Botswana and Malawi and the extent to which each state is aid dependent. Both states had problems generating domestic revenues to finance development plans after independence and therefore aid provided by bilateral donors was

essential to both states. Both states received high levels of aid. However, Botswana has been considered as a state that managed to escape aid dependency, while Malawi has been labelled a highly dependent state. Botswana cut aid/GNI from 30 percent to 2percent, and aid expenditure from 60 percent to 6 percent, between 1975 and 1995 (Kerapeletswe et al, 2008: 17). Britain provided 60 percent of the development budget at the time of independence (ibid). British aid to Malawi at independence accounted for 98 percent of Malawi's gross aid receipts and funded nearly half of the government's expenditure (Morton, 1975: 62). Botswana managed to sustain one of the world's fastest economic growth rates and became a middle-income state (van de Waal et. al, 1996:16). Malawi on the other hand is considered to be a state that constantly requires high levels of aid (van der Meer et al, 2008: 16). Malawi has had to contend with budget and external account deficits, therefore aid in the form of concessional loans and grants, has played a significant role in filling in the gaps that exist within the state budget (ibid). As an aid dependent state, Malawi has had to adhere to the economic management policies prescribed by international institutions such as the International Monetary Fund (IMF) and World Bank (ibid). Aid dependency in Botswana decreased over the years and by 1997 aid averaged 3 percent of GDP (Kerapeletswe et al, 2008: 17). Many have argued that Botswana is in the position that it is today because, it is endowed with significant mineral reserves (van de Waal et. al, 1996:16). However, this does not explain why Botswana is considered a successful case study. Thus how can we account for the success of Botswana and readily explain Malawi's continual dependence, what lessons are embedded within each of the case studies that can tell us about the phenomenon of aid dependency?

The research paper will also explore the principle factors that reinforce aid dependency that were mentioned by Yash Tandon (2008). Thus the only way that one can determine why Botswana is considered a success and why Malawi remains aid dependent is to examine political, organizational and economic conditions that can be traced from independence to present. There are political and economic conditions that may have an impact upon the management capacity of states. Therefore, by being dependent upon aid, the institutional capacity of states can be weakened thus perpetuating the cycle of aid dependency. Thus, this paper seeks to discuss conditions that may perpetuate aid dependency. The relationship between donor and recipient states will be analysed by looking at the strategies that were employed by recipient governments when it came to negotiating aid. This paper will also assess the extent to which dependency can reduce the ownership of states in policy

implementation. Based upon Whitfield's (2009) case study methodology, this paper will investigate whether negotiating aid prompted changes in aid practices driven by donors and how government dealt with changes. This paper will utilise examples of where donors and recipient states have had to negotiate aid when it came to policy formulation and implementation concerning specific projects and programmes. This paper will take into consideration whether recipient states have or had ownership in designing and implementing policies. Whether they were able to articulate their vision through implementing their own policies or whether donors' demands had preference and why donor demands had preference. Thus, success is determined by whose policy agenda has been articulated. Therefore, this paper seeks to understand the impact of aid dependency on the institutions of African states.

1.3. Study Organization

This thesis will weave the answers together to develop lessons that can be learnt for other aid dependent states and make recommendations. The two of this comparative analysis study will begin by defining and analysing key concepts relevant to the aid dependency debate. The concept of 'aid' is rather broad and multifaceted therefore the second chapter seeks to define aid within the context of which the paper will be situated. Thus, the paper will look at the definitions and the concepts of aid dependency: ownership, policy dialogue and participation and therefore assess the reasons why aid has not been effective. The third chapter will offer a theoretical approach and look at the principle-agent framework, the Actor Based Approach, propagated by Whitfield and her colleagues in the book, "Politics of Aid"; as well as the dependency framework to offer an understanding of the aid donor-recipient relationship, as well as the shortcomings of the theories.

Chapter four and five will focus upon the case studies of Botswana and Malawi respectively and analyse the level of aid dependency within those states. The capacity management of each of the states after independence will also be assessed. These chapters will also review the level of ownership that Botswana and Malawi have had in policy design, implementation and evaluation; the design and implementation of projects and programmes will also be considered. The power relations that exist between recipient states and donors will be analysed as well as the political and economic conditions that have either exacerbated or reduced aid dependency. Chapter six: will offer a concluding evaluation concerned with the degree of autonomy that each of the states have had with donor agencies. This final chapter will offer suggestions of how to end aid dependency and promote self reliance.

CHAPTER TWO: CONCEPTUALIZATION

2.1. Aid:

Before one provides an adequate definition and conceptualises aid dependency it is significant to define, 'aid' itself. How can foreign aid be defined? A broad definition provided by Riddell (2007: 17) states that aid encompasses all resources-skills and technical knowledge, physical goods, financial grants (gifts) or concessional loans (offered at a concessional rate); these resources are transferred from donors to recipients. However, Riddell (2007: 17) does acknowledge that this definition is vague and leaves a lot of significant questions unanswered: who are the respective donors that the definition refers to?, why is the transfer of resources taking place and to which extent is the giving and receiving voluntary or is it based upon coercion or conditionality. Donors do not have to be considered rich and recipients are not always poor; motivations for aid are not always analysed: the aid could be given to help the recipient, donor, or even both. The impacts of aid, either short term or long term could either yield positive, negative or neutral outcomes (Riddell, 2007: 17).

The definition also includes resources for development, humanitarian and poverty purposes. According to Moyo, (2009: 7) aid can be distinguished into three categories: humanitarian, charity based and systematic aid. Humanitarian aid is organised and dispensed as a response to disasters; charity based aid, charitable institutions disburse it to states or people within the state. Systematic aid refers to aid payments, which are made directly to states: it can either be government-to-government transfers, which is known as bilateral aid or it can be made from institutions to government, thus a transfer from the World Bank to a state, which is known as multilateral aid (Moyo, 2009: 7). Aid resources can also be used to further political or commercial interests of either the donor or recipient and resources can be used to attain military objectives. Cassen et al (1986: 104) have stated that aid can be used for various purposes and that it can take diverse forms such as project aid, which makes a particular capital asset or technical assistance available. While programme aid, makes a cash sum obtainable for the benefit of the recipient state's economy or sectors of it. It is usually accompanied by policy discussions (ibid).

For the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) aid qualifies at Official Development Assistance (ODA) at three levels. 1) It has to be commissioned by official agencies. 2) Economic

welfare and development of developing states should be promoted as its main goal. 3) It must have a grant element of at least 25 percent and be concessional in character. Thus, development aid refers to financial flows that meet the criteria as ODA. Besides financial flows, technical cooperation costs are also integrated, however, loans, credits and grants, for military purposes are not included (Tarp, 2010). Transfer of payments to private individuals or agencies are not included.

Foreign aid can also be referred to as resources from rich countries to poor countries and people, which are designed to contribute to human welfare, poverty reduction and development. This type of foreign aid is often termed, "development assistance" or "development aid". Riddell (2007: 18) also does note that the definition of development aid is often defined in relation to those giving it. The approach towards defining aid has been based upon purpose for which aid is given. In practice, Riddell (2007: 18) states that development aid has been defined as the component of foreign aid whose function is to contribute towards human welfare and development within poor states. Riddell argues that the definition employed has not attempted to look at whether there is a consensus among donors and recipients, governments and non-government actors on the definition. Thus, the definition proposed is donor driven just as it has been donors who have determined how much aid to dispense and in what form it should be given. Thus, Riddell (2007: 18) proposes that the definition of development assistance could be based upon the tangible effects aid has had on beneficiaries: what its impact is and whether it does any good. It is hard to look at the impact of aid without considering the context of recipient states or circumstances of beneficiaries. The effectiveness of aid is dependent not only upon policy environment but also upon conditions that exist such as the management capacity of recipients, coordination amongst donors and ownership of recipients (Wangwe, 1997).

This paper stresses that aid effectiveness can be attributed to the policies of recipient states, donors may often have their own interests in mind when formulating policies and this can interfere with the development vision of the recipient state (Cassen et al, 1986: 15). It can also be argued dependency on aid can decrease the autonomy of the state and weaken national institutions by not paying attention to indigenous capabilities, cultures and technology (Carlsson et al, 1997: 12). When local institutions are bypassed in the design and implementation of policies, thus undermines sustainability and ownership. When projects are

isolated from the local circumstances Nissanke (2000) argues that it becomes harder to phase out the prominent role of donors within the state and it leads to a continued dependency.

2.2. Aid and Dependency:

History of aid since the Marshall Plan:

Foreign aid as an institution started in 1947 with the Marshall Plan, and immediately there were concerns that the behaviour and attitudes of European recipient states would be altered by large amounts of aid (Bräutigam and Knack, 2004: 256). Though the Marshall Plan was hailed as a success because it contributed towards the reconstruction of post-second World War Europe, providers of aid worried that reliance on external funding would create a situation whereby recipients would pay too little attention to the notion of self-help and fail to mobilize domestic resources themselves (Bräutigam and Knack, 2004: 256). Therefore, as foreign aid expanded beyond Europe, critics such as David Bell in 1960s alluded to the notion that foreign aid in all its forms could only produce maximum results only if it was related to maximum self-help. (Bräutigam and Knack, 2004: 258). Thus, the purpose of development aid was to initiate growth and development that was self sustained. If aid had worked in Europe, it was believed that it could attain the same results in poor, developing states. Initially, the objective of the Marshall Plan was to reconstruct war torn Europe, and the development of poor developing states. However, the needs of developing states were highlighted by President Truman, in 1949, when he stated that there was an aim to make the advantages of the United States' "scientific advance and industrial progress available for the improvement and growth of underdeveloped areas" (UNCTAD, 2006: 9).

The US gave large sums of aid to Europe through the Marshall Plan and the resources of the World Bank and the IMF were directed at developing other regions in the world. The economic reason for giving aid to developing states is still based upon growth and gap models of the 1950s and 1960s. From the 1950s through to the 1970s, development was equated with economic growth and therefore, there was emphasis upon raising the rate of investment to the Gross Domestic Product (Easterly, 2007: 328). It was believed that developing states required investment capital for economic growth. Thus, aid was seen as the panacea to the absence of domestic savings and lack of human and physical capital necessary for private investment. It was believed aid could lead to a higher investment, which would lead to higher economic growth (Moyo, 2009: 15). There was a strong role for the state to

facilitate and manage investment, under the guidance of development experts (Easterly, 2007: 328). Aid also took a new dimension in the 1950s in Africa: aid given to African states was given for ideological purposes (Moyo, 2009: 14). The 1960s were characterised by a focus on aid funding for large-scale purposes: support for industrial projects and infrastructure; there was also an initiation of bilateral programmes and bilateral partners gave technical assistance (TA) and budget support, while multilateral institutions supported projects (Moyo, 2009: 15; UNCTAD, 2006: 10). In the 1970s, multilateral aid became more prominent and was regarded as more efficient, as it was less politically motivated. Poverty alleviation also became a critical objective of development and foreign aid. There was disillusionment with the notion that high rates of growth would 'trickle down' to the masses, however problems of poverty, unemployment and income distribution prompted a poverty-based approach to development (Todaro and Smith, 2009: 15). Aid was redirected from infrastructure to projects in agriculture, rural development and social sectors (ibid). There was a focus on social aspects such as health (life expectancy, disease and infant mortality, education, income distribution and gender equality rather than macroeconomic growth (Aid Watch, nd: 1).

Commercial banks played a significant role in international lending: they used OPEC petrodollars and issued loans to developing states to provide balance of payment support and increase exports (Tarp, 2010: 30). International lending was not solely limited to bilateral donors and international financial institutions (IFIs), middle income states had borrowed from commercial banks at market rates and low- income states had borrowed from official agencies at concessional loans (Easterly, 2007: 328; Tarp, 2010: 30). As international lending increased, it meant that high growth was enabled with very little debt servicing difficulty (ibid). However, increase in international lending that occurred in the period 1974-1979, established the foundation for various problems that were to come (Todaro and Smith, 2009: 678). The 1979 oil crisis led to a reversal of an environment favourable for the success of financial lending (ibid). Thus, developing states had to contend with higher oil prices, high interest rates attributed to the industrialized states' economic stabilization policies, decreases in export demands and lower foreign exchange earnings, increase in food prices and import compression, which all contributed towards slower global growth (Tarp, 2010: 30). The 1979 oil crisis altered economic conditions, the cost of borrowing increased as interest rates increased. Developing states entered into a long procedure of rescheduling and writing off debt for commercial banks and official agencies (Easterly, 2007: 328; Moyo, 2009: 18). Thus, as a way of dealing with the accumulation of debt, many states defaulted on their

obligations. According to Moyo (2009: 18), the debt crises threatened to undermine the global financial stability as unchecked defaults would lead to the collapse of international financial structures. Therefore, the answer was to restructure debt: the IMF and initiated the Structural Adjustment Facility, to lend money to defaulting nations so that they could repay their loans. However, this perpetuated dependency and put developing states in more debt (Moyo, 2009: 19). Donors such as the US and the UK did not increase aid to stave off the impact on the poor but implemented stabilization policies in developing states and emphasis on development strategies and policy changed to focus on the failure of domestic policies. Fixing macroeconomic imbalances became a crucial condition for renewed development (Moyo, 2009: 18Tarp, 2010: 30).

It was believed among international financial institutions (IFIs) that developing states needed to stabilise their economy through the process of structural adjustment (Riddell, 2007: 35). Thus, as structural adjustment efforts were implemented, the role of the state diminished. Economic policies such as reliance on market forces and outward orientation were propagated; and the role of the private sector including non-government organizations (NGOs) was emphasised by the World Bank and others. Thus, the 1980s were characterised by structural adjustment policies and the implementation of economic reform through regulation and privatization (Aid Watch, nd: 1). The dominant aid feature was an imposition of conditions and policy advice linked to aid. What was significant about aid conditionalities was that recipient states had to reduce direct government spending; they had to prioritise structural adjustment policies ahead of social services such as health and education in order to receive aid (Riddell, 2007: 36).

In the 1980s, there was also a lot of high profile reports that highlighted the problems that sub Saharan Africa had to contend with. It was noted in reports by the World Bank, that aid was needed to increase human resources in order to strengthen institutions and skills and to make tangible results in food security, agricultural development, health and education (ibid). In the late 1980s, there was attention on a human dimension of adjustment, there were initiatives made by the United Nations Children's Fund, United Nations Development Programme and the ILO to emphasise and reflect upon what human development entails. Since 1990, the UNDP has published Human Development Reports. These reports have contributed significantly to understanding development and poverty. Therefore it was acknowledged that there was lack of implementation and sustainability with regards to SAPs and the Bank's

report in 1989, acknowledged that Africa's woes were in part, attributed to donors and advisors and emphasised the fact that Africans should decide Africa's future and that external advisors role should be supportive (ibid). There was also a proliferation in non-government organizations from the mid 1980s. The 1990s were characterised by a decrease in aid levels: it was argued that too much aid was harmful to development and it encouraged recipients to be dependent upon it as a source of finance. Aid discouraged the increase of domestic revenue and self-sustained growth. By the late 1990s, the view was that aid was needed for the development strategy of recipient states, whereby recipients are able to design and implement their own policies. This view has remained dominant, donor agencies have emphasised that the contribution of aid should also help in building the capacity and institutions of recipients. Since 2005, the dominant phrase has been, "more and better aid", along with the discourses of fair trade and debt cancellation (Glennie, 2008: 89).

Thus, the quality of aid is considered significant rather than the quantity (ibid). In March 2005, the Paris Declaration on Aid Effectiveness was published and it stipulated targets to improve aid in various areas and concerns about the "effectiveness of aid". While there was emphasis placed upon the volume of aid that could be utilized to achieve the Millennium Development Goals, it was evident that aid effectiveness had to increase to aid the recipient states' initiatives to strengthen governance and improve development initiatives (ibid). The principles of the Paris Declaration on Aid Effectiveness have emphasised the ownership of recipient states in deciding their own policies; there has also been emphasis placed on the fact that donors support the national development strategies of recipients (ibid: 90). Fraser and Whitfield (2010: 342) have stated that various actors with separate views on how the aid system should be reformed have promoted the concept of ownership as an aspiration. Various actors understand the concept differently. It may be seen as control over a process and outcome of aid negotiations, however, it is hard to understand this concept of ownership while recipients have little control when it comes to policy 'conditions' to aid and debt relief (ibid: 343). There has also been emphasis placed upon improving the governance of recipient states. Mutual accountability is also one of the dominant principles: donors should be able to hold recipient states accountable for their performance, while recipients should be able to hold donors accountable in their delivery of commitment (ibid). With attention placed on poverty indicators, there has been a change in aid allocation from infrastructure, energy supply and agricultural development to social spending. However, various African Ministers of Finance have raised the issue of whether social expenditure can be sustained without

growth oriented, productive investment (UNCTAD, 2006: 9). Thus, it has been proposed that with high levels of aid, states need to adequately balance social development and growth enhancing goals, in order to reduce aid dependency and to guarantee that reductions in poverty remain unchanged (ibid).

2.3. Dependence:

Since independence, many African states have been dependent upon aid for capital investment and in the recent years, these states have become gradually more reliant upon concessional loans and grants to finance their recurrent budgets (Cooksey, 2004: 2). Despite high levels in the provision of aid to recipient states, many states have failed to achieve self-sustaining growth and development and many states have continued to rely heavily upon aid and have thus become dependent. Forty years after David Bell's speech, this issue of self-reliance remains critical within the sphere of development and aid dependency remains a contentious but relevant issue. According to Cooksey (2004: 2) the discourses of 'self reliance' and 'trade not aid' have been substituted with the discourse of 'reliance on aid for poverty alleviation'. As mentioned above, aid is supposed to foster self-reliance and thus help to foster an exit strategy. However, dependence upon aid has increased amongst agencies, development banks, non-profit organizations and project units (ibid). However many of the states on the receiving end, are reluctant to change the status quo by postponing their farewell to donors. A Swedish observer put it bluntly by adding pessimistically, "After several decades of building institutions dependent on donor financing, neither the donor nor the recipient seems able to envision institutions which can be financially sustained by domestic resources" (Sogge, 2002: 87).

The term 'aid dependence' was used by scholars in the 1970s to explain the institutional problems that states such as Malawi and Bangladesh suffered from despite the large amounts of aid that they received (Bräutigam and Knack, 2004: 257). Aid dependence is considered a problematic condition caused but not equated with large transfers of aid (Bräutigam and Knack, 2004: 258). Roger Riddell (2007) defined aid dependence as a practice by which the provision of aid does not succeed in producing significant contributions towards the achievement of self-sustaining growth. Sobhan on the other hand defines aid dependence as a state of mind, where recipient states lose their capacity to think for themselves and thus renounce control (Bräutigam and Knack, 2004: 257). Aid dependence is a condition where the level of aid becomes a criterion in the overall performance of the national economy. Aid

dependence can be a function of the size and duration of aid, the type of aid, and the way aid is managed; a country is aid dependent when it cannot execute various core functions of government, such as providing basic public services, without foreign aid. Aid dependency is "when aid funds a high percentage of government budget expenditure, on an ongoing basis" (Bräutigam and Botchwey 1998: 4). Alternatively, dependency can be measured as the percentage of the whole economy (Gross National Income) that consists of aid flows (Ibid). For Bräutigam and Knack, (2004: 257) aid dependency refers to a government's inability to perform core functions of government without foreign funding or expertise. In practice, this means that governments are answerable to donors than they are to their people. This also means that donors do exert a lot of influence over the national policy of recipient states (Action Aid, 2011a:2). Donors may insist that recipient states implement the donors' policy priorities, recipient states may be so busy engaging with donors that they fail to succeed in initiating their own alternative policies, or aid may distort government spending towards a particular sector (ibid). Thus, aid dependency is a problem as it undermines policy autonomy of recipient states and organizations such as Action aid (2011a:2) have argued that reduced aid dependency does allow recipient states to have the space and power to investigate locally developed solutions. It leads to the prioritisation of domestic processes and less intrusive and less frequent dialogue on the part of donors (ibid). Cooksey argues that aid dependency is not a policy that is exercised by donors or recipients of aid but it is a predictable consequence that is attributed to the trends in donor practices.

2.4. Determinants of aid dependency:

Tandon (2008) identified factors that contributed towards dependency on aid and these included: Neo-colonialism: past structures of historically entrenched relations between the former imperial and colonial powers and the developing states, aid serves as one of the tools of control. If there is a lack of available alternatives to aid dependence, aid dependency can be perpetuated (ibid). Aid dependency is also reinforced by the needs to seek aid for balancing the budget and restoring balance of payments problems. Humanitarian causes, conflict and perhaps natural disasters can contribute towards dependency (ibid). States may find the task of looking for domestic revenues difficult therefore, there are always donors that may provide necessary funds if their request is done on commercial, political and military matters (thus the ability to secure aid is dependent upon the interests of donors). Lack of development vision among political leadership reinforces dependency (ibid). Aid dependence is apparent in the manner in which the government and other sectors of government perform

their duties and it is characterised by a lack of initiatives in developing strategies and policies. The domestic political support of governments, along with their dependency on aid to maintain political support may provide strong incentives for governments to remain within a position to subservience when it comes to donors (Bergamschi, I., de Renzio, P. and Whitfield, 2008: 3). Aid dependence is often accompanied by its intensity, as it is characterised by aid's share of recorded Gross National Product. Thus in circumstances whereby the rate of aid continues to persist over a period of a decade within a state, one can refer to this circumstance as severe aid dependence (Sogge, 2002: 88). However, aid intensity may not necessarily be regarded a negative phenomenon over limited periods: states such as Taiwan and Korea, received large amounts of aid, once aid had served its purpose within those states, they became self-reliant.

2.4.1. Problems encountered by donors and recipients

The costs associated with aid dependence include a loss of sovereignty and weakened ownership of development policies, programmes and plans; there are difficulties in donor coordination whereby there are conflicting messages and conditions and higher transaction costs which are associated with multiple sources of funding. Donors may fail to learn from past mistakes and repeat the same mistakes that were made and they may ignore mistakes made by other donors due to lack of communication between donors. Thus, there have been calls made by recipients and other observers, for donors to improve the learning experience and to strengthen the incentives to improve the quality and not quantity of aid within donor agencies (Cassen et al, 1986: 16). These multiple purposes of aid come rarely as a choice but rather a prescription imposed by external donors. Thus, national initiatives are not imbedded within local policy of elites or the citizens of the recipient state (Bräutigam and Botchwey, 1998: 13; Sogge, 2002: 98). Recipients who are aid dependent will often conceal information about the effects. Aid dependency serves as a problem, for the scholars mentioned above as they highlight the fact that there is a loss ownership over policies within recipient states. Therefore, many have called for ownership of recipient states, whereby recipient states have a degree of control and are able to exercise control in policy design and implementation.

2.5. Ownership and the Donor-Recipient Relationship:

"Even today many Africans see the relationship with donors as still influenced by the colonial past, where donors "know" what, how much and when recipients need. Thus, in some cases, the priorities of donors and recipients do not match: an example of this is the construction of infrastructure in Africa, viewed by the Africans as a high priority for their sustainable development and systematically dismissed by donors"- **Joachim Chissano (**Bergamschi, de Renzio, and Whitfield, 2008).

The contemporary aid regime has placed focus upon local ownership, which is considered a positive step from the controversial days of aid conditionality. The mere fact that "ownership" has become an important issue within the sphere of the development discourse clearly indicates that there may be problems associated with the practical application of ownership. Thus, the focus upon local ownership has highlighted a shift towards leadership/control of the recipient states in the design and implementation of externally funded development initiatives (Meagher, 2009: 17). What is equally significant is that fostering 'ownership' entails promoting greater national commitment when it comes to implementing development policies and using donor resources effectively (Meagher, 2009: 17). Ownership within the context of aid dependency entails that recipients define their own development policy independently of their sources of finance i.e. external aid (Branco, 2009: 3). Recipient states are able to design policies without influence from donor agencies and the role of donors is to provide finance to recipients. Donors should also not have any policy preferences nor express them if they have them. Thus, aid should be available regardless of policy choices made by recipients. For Branco (2009: 4) ideally, any potential form of influence by the donor, such as technical assistance, should be exerted within the political agenda and priorities defined by the recipient agency. Receiving high levels of aid does not necessarily mean that states lack a degree of ownership, considering the contexts within which African states and donors negotiate aid may provide a key explanation for the different levels of ownership **(**Bergamschi, de Renzio, and Whitfield, 2008: 2).

However, for donor agencies, ownership is not only understood as the degree of control over policy design and implementation and the capacity to design and implement policy reform. It is also understood or defined as a country that 'owns' an aid funded project or programme, when it is implemented or sustained or commitment by recipients to policies regardless of how these policies were selected (Ohno et al, 2005: 3; Whitfield, 2008: 2). Thus, this

definition prompts concern for **(**Bergamschi, de Renzio, and Whitfield, 2008:2) because agency officials may welcome domestic control of policies however, when there is lack of consensus over policy choices, donors may revert to the definition of ownership as a commitment of their preferred policies **(**Bergamschi, de Renzio, and Whitfield, 2008: 2). This definition also concerns Ohno et al (2005:3) because it fails to distinguish management of the aid relationship from development. Thus, they distinguish two types of capacities, namely donor management and policy autonomy, which refers to the material of national development policies and strategies.

Donor management in depth can refer to the capacity to own the relationship with donors and needs leadership in policy dialogue, donor coordination, selectively choosing donor advice and dealing with tensions in a diplomatic manner. Ohno et al (2005: 4) state that the capacity that is required and is usually exercised by a small group within government, particularly an administrative body who is in charge of the aid receipt. Policy autonomy on the other hand refers owning development policies and requires the capacity to identify national development strategies and goals, the ability to set realistic and coherent action devices and to execute them immediately. It is considered a broader task as it calls for the execution of development (Ohno et al, 2005: 4). In aid dependent states it is quite complex to separate the management of aid resources from the states' own development, according to Ohno et al (2005: 4).

Thus, control in the context of this paper should be understood as the proportion of a government's implemented policy agenda that was decided by government without the preferences of donors (Bergamschi, I., de Renzio, P. and Whitfield, 2008: 2; Whitfield, 2008: 329). It is also important to understand what proportion of the policy agenda was a compromise between recipients and donors and what proportion of the policy recipient state's government reluctantly accepted in order to access financial aid despite conflicting policy preferences (ibid). Measuring the degree of ownership within recipient states is a challenging task (Bergamschi, I., de Renzio, P. and Whitfield, 2008: 2). The reason is that donors played a significant role in planning, funding and executing government programmes and projects using advisors, training and logistical support and using conditionalities (ibid).

For Whitfield and Maipose (2008:2) discerning what policies are government owned and what policies are donor driven remains a difficult task within states that are aid dependent due to the manner in which relationships with donors have developed over the years and the

manner in which donors have entrenched themselves within recipient states. Yet at the same time, it is important to note that receiving high levels of aid does not necessarily mean a loss of ownership (Whitfield, 2008: 332) .Thus for Whitfield (2008: 332) degrees of ownership can be understood within contexts where recipient states and donors have engaged to negotiate aid. Ownership for Whitfield and Maipose (2008: 2) can be attributed to various factors such as: good macroeconomic management, strong state institutions, as it enables states to set the policy agenda and maintain ownership; clear development visions expressed by states. Government confidence is significant; it means that states are confident that donors will not leave them and that they can afford to take risks. Collins (2011: 11) states that equating sovereignty with ownership should be understood as a way for recipients to say 'no' to donors and therefore implement their desired policies. She does also note that recipients may not outwardly say 'no' but they may show disinterest or deliberately delay policy implementation or be indecisive (ibid).

Meagher, (2008: 18) has suggested that there is a major contradiction within the contemporary aid regime: the idea of national ownership of development policies contradicts the fact that recipients of aid are dependent upon International Financial Institutions for access to donor assistance or concessional finance. Despite the idea that recipients should be in the 'driver's seat' when it comes to the design of development policies, the World Bank and IMF retain the right to veto policies that do not adhere to their requirements. Thus in the context of Poverty Reduction Strategy Papers (PRSPs), if these policies are not approved, the recipient states may lose access to assistance and concessional finance. This also puts pressure upon recipient states to adopt policy priorities of IFIs rather than domestic policy priorities (Meagher, 2009: 18). Lindsay Whitfield (2008) provided the case study of Ghana as a prime example of where tensions have existed between ownership and the perquisites of IFIs: Lindsey described the situation whereby the recipient government is in the driver's seat, yet the donors are clearly trying to steer the car.

The foundation for ownership should be the strong will and commitment of national leaders to erect a self-reliant economy. The national strategies and policies that were initiated within low-income developing states should have yielded results whereby the recipient states "graduate" from aid, can be supported by the mobilization of domestic resources, and defined vision for development and growth (Ohno et al, 2005: 4).

Strong capacity is characterised by a situation whereby the government is able to manage the entire development procedure and therefore coordinate aid as part of its own development initiative. The government may formulate and initiate a national development strategy and identify which sectors or specific needs require aid; the government may give donors a list of its requests, therefore negotiate with donors, therefore determine, and match aid projects and programmes with its own internal resources; and therefore implement and evaluate the outcomes (Ohno et al, 2005: 4).

Weak capacity is characterised by a situation where the government and donor may decide to share the responsibility for the management of the development process. The state may have capacity constraints and may have to contend with the fragmentation of aid. The state may also lack the ability to formulate and produce policy content. As a result, the state and the donor will have a joint initiative whereby they both decide on the content of the development policy as well as the allocation of the budget, which also includes aid money; they will also jointly monitor development activities (Ohno et al, 2005: 4). Therefore, as a result the management of the development procedure becomes a process of donor coordination, rather than the coordination of aid resources.

2.5.1. Political Leadership and Ownership:

Political leaders gain their legitimacy through their ability to gain the cooperation that is significant for formulating and implementing decisions that may be deemed difficult but necessary in providing an enabling environment for economic development. African leaders have to contend with balancing their policy objectives and their primary goal of remaining in power. Thus in cases of aid dependency states, leaders have been dependent upon aid to retain their positions. Because of dependency, aid agencies have extraordinary power in negotiations (Bräutigam, 2000: 36). Aid has been used to provide budgetary support to many African governments, and this in turn has made African governments content with this condition. Aid has been used as an important resource to deliver goods and services or other promises that state leaders have made. Therefore, consequently states are reluctant to take stronger policy decisions or to articulate development strategies outside the vision of donors, as they fear risking reductions in aid (Whitfield and Maipose, 2008: 3).

Decreasing aid could weaken political support or cost leaders the next election. If domestic political support is fragile, state leaders have the incentive to remain in a subordination position to donors so that they can maintain political legitimacy (Whitfield and Maipose,

2008: 3). If economic reforms are risks to the political survival of leadership or if costs of priority projects outweigh the benefits, the interests of donors and recipients will not coincide. It is significant to note that in aid dependent states, if control and "ownership" are vested in the interests of aid agencies, the legitimate political leadership is compromised because external agents can impose their own priorities, policies and programmes on political leadership (Bräutigam, 2000: 38).

2.6. Policy Dialogue:

The exchange between donors and recipients about the domestic framework can be regarded as the 'policy dialogue', whereby the policy dialogue can have an impact upon the outcome of the transfer of aid and the behaviour of the economy. While the term 'leverage' can refer to the ability of the donor to impose the views of the donors upon the recipient, the term 'dialogue' implies that the view points of both the donor and recipient are considered. The process of dialogue is understood as a mechanism that is used to integrate the exchange of ideas and information between the two [donor and recipient] whereby either viewpoints or both can be altered to bridge the gap between the two (McCullough et al, 2011: 13). However, McCullough et al (2011: 13) note that in order to achieve the development outcomes, it is important to negotiate a shared understanding of those outcomes. Policy dialogue is required at all hierarchical levels in order to guarantee policy coherence amongst all actors (grass roots level to international level). Thus, all actors must be engaged: civil society, government and donors. McCullough et al, (2011: 20) have stated that the political economy perspectives may provide insight to the operation of policy dialogue within aid.

By understanding the existing political and economic procedures in society, particularly the relationships, incentives and distribution and contestation of power between the different actors, one is able to understand that they all contribute towards the impact on policy dialogue outcomes (McCullough et al, 2011: 20). Thus in understanding aid dependency and the aid negotiations, one would have to assess the principle agent model, actor based approach and the dependency theory.

CHAPTER THREE: THEORETICAL FRAMEWORK:

3.1. Principle-Agent framework:

The principal agent analysis reflects the realities of the relationship between donors and recipients (Kanbur, 2000: 6). The principal agent model may offer explanations into why recipients may agree to development policies but never implement them or adhere to them. Dialogue in this context is understood as the situation in which the donor (principal) will want to act in a manner that maximises the recipient government's (agent) utility. The donor may be perceived as the leader and may decide upon the level of aid. Recipients on the other hand are perceived as the follower who takes or receives the level of aid that is given and determines how this aid will be used (recipients may determine public expenditure patterns). Thus, decisions made by recipients concerning aid may affect outcomes for recipients (access for poor people to education, healthcare or economic growth). However, according to Kanbur, (2000: 7) donors are concerned with values of such outcomes and therefore they are able to choose the level of aid to influence the choice of the actions by the recipient states and the outcomes for the recipient states. Another explanation of the theory assumes that donors and recipients are unitary entities who are represented by a set of preferences. The two sets of preferences are regarded as different.

Thus, the donor can induce different actions by offering different levels of aid. The donor may offer unconditional aid but may choose not to because the donor also benefits by aid conditionality- thus giving aid in terms of actions taken by recipients may benefit the donor (Kanbur, 2000: 7). The donor (principal) may provide resources (aid) in return for actions (policy reform package) that are supposed to deal with the problems that recipient states have to contend with (Castel-Branco, 2008: 7). Both principal and agent are concerned with the impact of reform upon their constituencies, although their relative positions and motivations may be different. For the principal the impact of reform may be of interest because of policy efficiency and effectiveness (dealing with macroeconomic imbalances), altruism (reducing poverty), or some vested and long term interests (political interests or commercial advantages) (Castel-Branco, 2008: 7). For the agent, the interest in policy reform comes from the fact that it is accountable to its constituency (constituency elects the agent or the agent is required to deliver services to its constituencies due to the aid that the agent receives). The principal is not accountable to the constituencies of the agent, whereas the agent (recipient)

is. If the interests of the donor differ from those of the recipient state then the recipient state may be loyal to either the donor (principal) or its constituency, depending on who exerts pressure upon the recipient (agent) (Castel-Branco, 2008: 8). If the process of democratic process is deemed weaker than the depth of aid dependency then the agent (recipient) will be more accountable to the donor (principal) than to its own constituency (ibid). However due to the fact that donors may have resources and recipients may have control of the policy process, the principal may not fully guarantee that the agent implements the policies that the principal believes are necessary to achieve the goals achieved through the aid process.

3.2. Actor based approach:

Another model that has been used to analyse the relationship between the donor and recipient is one proposed by Whitfield and her colleagues in the book 'Politics of Aid', it is called the actor based approach (McCullough et al, 2011: 22). This model of the donor recipient relationship sees the actors: donor governments, recipient governments; sectoral ministries, aid agencies and civil society organizations as political agents who are informed by the ideas or memories of the communities they are from (McCullough et al, 2011: 22). This approach therefore considers that there may be conflicts of interest that exist between the donors and recipients, which may have an impact upon the political decision making processes: which include trade-offs, compromises and consensus building. Each of the actors' economic, social, political, institutional and cultural contexts influences the dialogue that occurs between donor and recipient (McCullough et al, 2011: 22).

Thus, donors and recipients have to consider what they can get from negotiating. The term, 'negotiating capital' has been used by Whitfield and Fraser to refer to the leverage that a negotiator is able to obtain from the structural conditions. Structural conditions that may place limit upon the recipients' negotiating capital include economic conditions, ideological resources and institutional conditions. Therefore the extent of dependence of the recipient on markets in the donors' state; the extent to which the donor is reliant on access to the resources that are offered by the recipient or the extent to which the recipient is dependent on aid or is in debt, are considered economic conditions (McCullough et al, 2011: 22). Ideological resources also have an impact upon the recipient's negotiating capital because the recipient needs to present a clear vision for its development and have recognition and respect of its sovereignty. Institutional conditions include how effective the institutions of a recipient state

are in implementing and articulating development strategies and policies and also the state of the public services that administer these institutions (McCullough et al, 2011: 22).

3.3. Dependency Framework:

The international-dependence models support the notion that developing states are stuck in a relationship with rich states, characterised by dependence and dominance (Todaro and Smith, 2006: 122). There are three major models that have been adopted by theorists, leaders and anti globalization movements; these include the neo-colonial dependence model, the false paradigm model and the dualistic-development thought.

Dependency is considered as a form of international dependence where rich nations need to loan out their money just as poor states need to borrow it (Goldstein and Pevehouse, 2009: 450). Because IMF policies were imposed by an international agency, dependency theorists have argued that the international agency served as an extended arm of the rich industrialized states. Therefore, stabilisation policies were designed with the intention of maintaining poverty and dependency while maintaining the status quo of the global market structure for international banks and private investors from industrialised states (Todaro and Smith, 2009: 680).

This interdependency is characterised by an extreme power imbalance (Goldstein and Pevehouse, 2009: 450). The coexistence of wealthy and poor states in the international system is characterised by unequal power relations between the centre (states that are developed) and the periphery (the LDCs). This unequal relationship makes it difficult for LDCs to be self reliant and independent (Todaro and Smith, 2009). Certain interest groups (landlords, entrepreneurs, salaried public officials and trade unions) in developing countries may perpetuate the system of inequality and conformity due to the fact that they may be rewarded. Directly and indirectly, they serve (or may be dominated by) or rewarded by international special interest groups such as multinational corporations, multilateral assistance organizations such as the IMF and World Bank (which are tied by allegiance or funding to wealthy capitalist states) (Todaro and Smith, 2009).

Excess demand for aid may put donors in an advantageous bargaining position: 1) the development or lack of development of a third world state depends upon the local conditions and history, even if it is influenced by the same global conditions as other countries located in

the periphery. 2) Dependency on foreign interests and foreign economic access keep the state weak and inhibit it from playing its essential role in protecting domestic industry and promoting economic growth. 3) Dependence on foreign aid and credit will reduce the formation of domestic capital. Thus, this assumption implies that if efficient systems for domestic capital formation were advanced in spite of high levels of aid, these mechanisms would make it possible to end aid (Barrett and Whyte, 1984: 1079). However, the donor can terminate relationship at little cost while the recipient has to consider the costs of terminating the relationship. According to Frank (Magnus and Hettne, 1984: 64) the satellite states (developing states) tended to be increasingly dominated by the metropolis (developed) as well as dependent on it. Thus, recipient governments find it difficult to be self-reliant. The strength of dependency may vary. Thus for developing countries foreign aid is used as a tool by rich countries for political, institutional and economic control. Aid is given to states whose policies the donor approves of therefore this approach puts pressure upon recipient states to change their policies in order to receive aid (Jones, 1977: 51). Donors offer on condition that recipient states do or do not do something.

The False paradigm model ascribes underdevelopment to the inappropriate and incorrect advice offered by ignorant, biased international "expert" advisors from developed aid agencies and multinational donor organizations (Todaro and Smith, 2006). These planners have little information or no useful knowledge that may enable them to deal with real development problems that they may encounter. Their models of development are misleading and these models lead to incorrect or inappropriate policies. Thus when policies fail due to the wrong advice that is offered, it perpetuates the cycle of dependency (Todaro and Smith, 2006).

The Dualistic-development model asserts the following arguments: The international coexistence of prosperity and poverty is not a past or temporary phenomenon that will be eliminated or resolved with time. Inequalities will continue to grow. The relationship that exists between the superior element [developed state] and inferior element [developing state], does not help or pull up inferior element, it may actually serve to perpetuate the cycle of poverty or "develop its [recipient state's] underdevelopment" (Todaro and Smith, 2006: 125). Thus, aid would not have its desired impact.

3.4. Development alternatives and the weaknesses of the theories:

Tony Killick also demonstrated in his study to determine if the principal agent model resulted in outcomes that were preferable for the donor and found that the incentive system (rewards and punishments) is inadequate in ensuring that recipient governments implement policy conditions. Another problem that was raised within the principal agent engagement is that the principal suffers from lack of information about the agents' activities during the period covered by the agreement (McCullough, 2011: 21).

Seers (1981) argues that dependency writers fail to discuss the impact of natural resources within states; they do not consider the aspect that natural resources may be regarded as a determinant of a government's bargaining power. Having resources or lack of resources may ultimately have an impact on the degree of self-sufficiency within a state. It is significant to consider a state's physical location in relation to other states that may be better endowed with resources, population size or technology (Seers, 1981). Dependence theories may be deemed weak due the fact that they may offer reasons why many states are poor however, they fail to offer solutions as to how states may initiate and sustain development. These theories also reject the economic theories intended to accelerate GDP growth (Todaro and Smith, 2006: 125). The Dualistic development Model rejects the notion of Rostow's stages of growth: It was assumed that developed countries had passed the "take off into self-sustained growth" and underdeveloped states were in the "precondition stages" and in order to take off into self-sustained economic growth, underdeveloped countries had to employ certain strategies. This included mobilization of domestic and foreign saving in order to create sufficient investment to hasten economic growth (Todaro and Smith, 2006: 111). It was important to increase national savings and investment in order to achieve economic growth. Thus, The Harrod Domar growth model supported the notion that investment leads to more growth and therefore the difference between the required investment and the country's own savings is finance gap (Easterly, 2001: 29). Therefore, at independence, in most African countries private financing was not available to the gap; therefore, donors filled the financing gap with foreign aid in order to achieve growth. (Easterly, 2001: 29) However, both of these models did not always work because they showed that investment and savings were not a necessary or sufficient condition for accelerated rates of growth (Todaro and Smith, 2006: 115). These models also did not take into consideration that developed states were able to attain economic

growth due the institutions they had in place and these institutions were missing within African states at independence (Todaro and Smith, 2006: 115).

Thus, aid cannot rectify the degrees of superiority and inferiority as the stages of growth theory believes. The Dualistic development model emphasizes the fact that inequalities will continue to grow and therefore refutes the stages of growth theory. Thus the assumptions made by the dependence models and the principle agent debate assert the imbalance that exists in dependency. They also assert the notion that no government is completely free to determine its policy without considering external influences. However while the dependency theory may place emphasis upon the imposition of external hegemonies, one cannot disregard the role of political leadership (Seers, 1981:144). The political will, motivation and judgement of political leaders is deemed significant, as some leaders may be capable of assessing what can be accomplished and exercising the freedom of action they can gather, despite the constraints and interests of dominant powers (Seers, 1981: 144).

Therefore, the following chapters seek to assess case studies, namely Botswana and Malawi and the degree of dependency that exists within each state. The next sections will also outline and explain the conditions that have reinforced aid dependency within each of the states and the strategic manner in which aid has managed within each of the states. The case study analysis will show whether the states followed a prescription of policies designed by donors or if there was a degree of autonomy. It will also highlight the analytical and negotiating capacity of Malawi and Botswana and outline decisions that were made to navigate the relationship with donors.

As it was noted, aid was not supposed to be a permanent characteristic of the development agenda, however, very few developing states have managed to 'graduate' from the aid system. Many such as Bräutigam and Botchwey (1999: 23) have alluded to the notion that states such as Botswana have 'graduated' from the aid system and that this success is attributed to decisions that were made by the government at independence. The decisions that were made by the government ultimately paved the way for greater capacity of the state. These decisions contributed towards enforcing a strong degree of ownership and sovereignty in the relationship with donors as well as reduced dependency on aid. It is believed that large sustained aid flows entail a loss of ownership and dependency because recipients have to alter their behaviour to receive aid. However many have argued that Botswana is exempt from

these characteristics of an aid dependant state. Therefore, the next section will provide an analysis of dependency within Botswana and therefore explain why Botswana has retained autonomy in its relationship with donors as well as reduced its dependence.

CHAPTER FOUR: BOTSWANA THE EXAMPLE OF SELF-RELIANCE

According to Braütigam and Botchwey (1998: 23), Botswana has been regarded by some observers as a unique state due to the manner in which aid resources have been centrally administered and completely incorporated into national development planning and budgeting processes. Over the last three decades, Botswana's growth rate of gross domestic product (GDP) per capita has surpassed that of the "Asian tigers" (Maipose, 1997: 16). Why did its GDP per capita rise so quickly? While some may attribute Botswana's economic growth to the state's significant mineral reserves, namely diamonds, international aid was significant. Did aid work effectively due to the sound economic policies, as Burnside and Dollar (2000) claim? On the other hand, was aid effective due to conditions like the management capacity of Botswana, or coordination among donors or the fact that Botswana had ownership in designing and implementing its own development policies?

Botswana received its last IDA credit in 1974 and in 1992; it was reclassified as a middle-income country. Since 1998, the World Bank has classified Botswana as a middle-income country (Kerapeletswe et al, 2008:15). While this may be perceived as remarkable results, its rapid per capita GDP growth has had an impact on its sources of funding: Botswana has become ineligible for the special development funding sources that are allocated to poorer countries. Currently most donors have scaled back on programmes, as they are satisfied with the state's development managed and therefore, aid decreased from 61 percent to fewer than 2 percent in the 2006/2007 budget (Maipose, 2009). Maipose, Johnston and Somolekae, (1997) state that the government used aid purposefully to develop physical and social infrastructure as well as expand its economy. Botswana's graduation to an upper middle-income state has indicated that aid is no longer a significant factor in the government's national economy or public investment programme (Maipose, Johnston and Somolekae, 1997: 17).

4.1. The Political-Economy of Botswana:

"The overall growth record of independent Botswana can be captured in one sentence. Initially based on agriculture and heavily dependent on foreign aid, the rapid economic growth and general development in Botswana have been driven by the mining sector, particularly the diamond industry, and have been strategically led/influenced and managed by the state and decreasingly complemented by foreign aid within the overall institutional context of a liberal market economy and multi-party democratic system of government."
(Maipose and Matsheka, 2004: 4).

Botswana is a state that is landlocked and is the same size as France; it shares its borders with Namibia, Zambia and South Africa (UNDP, 2009:5). The state was a protectorate of Britain from 1885 and it was known as the Bechuanaland Protectorate; it held no intrinsic value to the British authorities, as it was believed that it had no natural resources and therefore as a result, it was not attractive to capital investment (Rakner, 1996: 17). Thus, Britain did not feel obliged to establish firm control over Botswana's economy (Leith, 2005:24). The British also practiced the policy of allowing chiefs to administer internally.

The first parliamentary elections were held in September 1965, over a year before Botswana became an independent state (BTI, 2012a: 3). The Botswana Democratic Party (BDP) and its leader Seretse Khama were the victors, as they attained 80 percent of the popular vote and out of thirty legislation seats, the BDP managed to capture twenty-eight (Leith, 2005: 31). The BDP were established as the dominant party, with its strong roots imbedded within the rural constituency. The opposition party, the Botswana People's Party (BPP) attained two seats from urban certain areas. In subsequent years since independence, the BDP has managed to secure an absolute majority of the popular vote and retain a bulk of the seats (BTI, 2012a: 3; Leith, 2005: 33). The BDP has remained in power because it continues to draw strong support from the rural constituency and the weakness of opposition parties: the tendency towards factionalism has impaired the ability of the opposition parties to secure a few seats within the National Assembly (ibid). After the death of Seretse Khama in 1980, Vice President Ketumile Masire took over the role as head of state. Once Masire had stepped down in 1998, Festus Mogae, who served as president until 2008, replaced him. In 2008, Ian Khama, Seretse Khama's son was elected in March 2008 (BTI, 2012a: 3). The National Assembly elects the President for a five-year term. The President cannot serve more than two terms according to the constitution. Opposition parties comprise of the Botswana National

Front, the Botswana Congress Party, the Botswana People's Party; the Botswana Alliance Movement, the Marx, Engels, Lenin and Stalin Movement and the New Democratic Front are also some of the opposition parties (UNDP, 2009: 9). Botswana has also managed to achieve political stability within a multiparty system and its constitution is based upon equal rights and freedom of expression (Kerapeletswe et al, 2008: 17). A complementary system of consultation and citizen participation called "Therisanyo" is used as a support system. The state, according to Maipose, Johnston and Somolekae (1997: 18) is characterized by a strong tradition of consultation and participation at every sphere of public life: from villages to central government. Traditional leadership and institutions like the House of Chiefs have also been integrated into the modern governmental system (Kerapeletswe et al, 2008: 17).

In Leith's (2005:39) opinion, under the leadership of Seretse Khama, various decisions strengthened the state: there was a separation of state personnel from politics; customary courts were integrated into the state legal system and there was an allocation of land from the chiefs to the state. There was also a significant presence of expatriates within the public service. When diamonds were discovered in Orapa within the Bangwato region, Seretse Khama persuaded the tribe who owned the land to give up interests of the mine to the state. Khama came from the tribe and if he favoured the interest of his tribe then the revenues from the diamonds would have benefitted his tribe. However, Khama chose to pursue the interests of the state. Thus, Togo and Wada (2008: 11) have stated that Seretse's actions set an example for the subsequent ownership of mines and as a result, this led to the prosperity of the state. The state has also conducted free and fair elections: since independence, there have been three presidents elected, democratically and peacefully (Kerapeletswe et al, 2008: 17). Botswana has been regarded as a model of good governance as it is characterised by a stable political environment. It is characterised by a high measure of political stability and order; the government is not corrupt or self-serving and possesses the resources to protect property rights and sustain an efficient economic system (UNDP, 2009: 9; Kerapeletswe et al, 2008: 17). Samatar (1999) has stated that the disciplined and political leaders are responsible for developing state capacity and making sure that public power and resources are not used for political gain.

At the period of independence in 1966, Botswana was one of the poorest states in the in the world (Kerapeletswe et al, 2008: 15). Botswana lacked physical infrastructure and skilled people; there were only three secondary schools; it was noted that only 22 people had

graduated from university and 100 from secondary school. Thus, there were low levels of human capital (IMF, 2012: 33). There were few productive assets and hardly any employment opportunities or secondary schools (Kerapeletswe et al, 2008: 15). Therefore, Botswana's development path was initiated with mostly an uneducated populace that engaged in subsistence cattle farming (Rakner, 1996: 17). Cattle and beef were considered the main exports. Thus for those involved in exporting cattle and beef, it was essential to maintain Botswana's external competitiveness (Leith, 2005: 55). However, revenues from the beef industry were not sustainable because of the occasional drought that Botswana had to contend with (Maipose, Johnston and Somolekae, 1997: 17; Frank, 2000). Most of the land was arid and therefore there were several droughts occurrences (Maipose, Johnston and Somolekae, 1997). The state's level of poverty was apparent because of the many years of drought, which coincided with the realization of Botswana's independence in 1966 (Frank, 2000). As a result, one fifth of the inhabitants obtained relief aid from the international community.

Initially at independence, there was a degree of ambiguity about the nature and economic standing of Botswana however, by 1975, there was rapid institutional transformation and development policy direction (Maipose and Matsheka, 2004: 4). In subsequent decades after independence, Botswana managed to sustain one of the world's highest economic growth rates: since the 1970s, Botswana attained a real GDP growth rate averaging six percent annually (Maipose, Johnston and Somolekae, 1997: 16; Kerapeletswe et al, 2008: 15). Regardless of the initial state of poverty, Botswana sustained annual economic growth rates of 14 percent during the 1970s and 10 percent annually in the 1980s. Botswana's real annual economic growth averaged 9 percent per year between the years, 1965 and 2005 (UNDP, 2009: 6). Trends in GDP per capita had increased by nearly a tenfold from 1966 to 2006: in 1966, Botswana's GDP per capita was US$660 and by 2006, it was US$ 6203 (Kerapetswe et al, 2008: 15). Botswana's growth in the economy can be attributed to the mining sector. Immediately after independence, 1967, large deposits of minerals were found in the country, minerals such as copper, nickel and diamonds (Frank, 2000). Thus, diamond production initiated incomparable growth and transformation within Botswana: Botswana was initially one of the 25 poorest states in the world and now it is a middle-income state (BTI, 2012a: 3). However, what is evidence in most oil producing countries and hard mineral exporting countries shows that mineral wealth does not guarantee sustained economic development (Rakner, 1996: 15). Most African states have been entangled in rent seeking traps whereby state elites have been attaining profit from national resources for their own personal gain or

'political spoils'. Many have acknowledged that an element of luck can be attributed to the discovery of mineral deposits. Nevertheless, many also attribute Botswana's economic success to good management, as Botswana managed to avoid the various economic problems that have overwhelmed other primary commodity exporters because it adopted the appropriate stabilising macroeconomic policies (Rakner, 1996: 15). Rakner (1996) notes that the government has very good implementation capacity and sustained development capabilities; and has pursued conservative fiscal and monetary policies; it is such factors that distinguish Botswana from the rest of sub Saharan states (Rakner, 1996: 15).

The mining sector as noted before, is the largest contributor to the GDP, in 2009, diamond production accounted for about three quarters of exports, one third of the GDP and half of government revenue. It also contributes towards 3 percent of formal employment (UNDP, 2009: 6). However, in the recent years, Botswana's dependence on diamonds has proved to be highly challenging. Growth reached a plateau in 2009 as global demand for diamonds decreased because of the financial crisis (BTI, 2012a: 2). Due to the economic crisis, the state's economic growth could not be sustained during this period and therefore Botswana's economy went into recession and contracted by 5.4 percent (BTI, 2012a: 16). For the first time in seventeen years, the government appealed for a loan from the African Bank. However, by 2010, the economy recovered: the economy was aided by an increase in global diamond demand and therefore the economy grew by 7.2 percent in 2010 from a negative growth of 4.9 percent the previous year (BTI, 2012a: 2; Africa Economic Outlook, 2012: 15). Its growth weakened in the second half of 201, as GDP grew by 5.1 percent (IMF, 2012:4). A decrease in growth was due to a significant slowdown in diamond exports. While emphasis has been placed upon economic diversification and privatization, so that other economies may stimulate growth, should mineral led growth decline, Botswana is still largely dependent on its diamond minerals and boosting the growth rate of the non mining sector is still a significant challenge (BTI, 2012a: 4; UNDP, 2009:6). It was acknowledged by the Bertelsmann Stiftun's Transformation Index (BTI) that the country's prospects for broad based growth were restricted because the efforts to diversify the economy and to privatize state enterprises were ineffective (BTI, 2012a: 16). In 2009, the mining sector contributed 42 percent of gross domestic product; government services accounted for 15 percent of GDP, while trade, hotels and restaurant contributed about 10.5 percent of GDP. Financial business services accounted for about 9.7 percent of the GDP (UNDP, 2009: 6). Maipose and Matsheka (2002) have alluded to the fact that the development strategy employed of state led

development has perhaps reached its limit and that there is a need for privatization and economic diversification so that the challenges of not attaining broad based growth can be remedied.

4.2. Human Development in Botswana:

While Botswana can be praised for its economic growth and efficient institutions, its wealth has not translated into poverty alleviation. Even though there has been a decrease in poverty levels, poverty is still rife, particularly within rural regions and income distribution remains distorted indicating that profit of economic growth has not been dispersed evenly (Kerapetswe, 2008: 15). Botswana still has a high level of unemployment and poverty. Therefore, it needs to turn its revenue from diamonds into a sustainable level of poverty reduction (UNDP, 2009: 7). Maipose and Matsheka (2002: 3) noted in 2002, the unemployment level was estimated at 20 percent and that 47 percent of citizens lived below the poverty line. One of the greatest challenges that Botswana has to contend with is the HIV/AIDS pandemic. Statistics have revealed that about 17 per cent of the population are HIV positive. This is likely to have an impact upon Botswana's economy in terms of the decline in skilled labour force and productivity. HIV/AIDS also has an impact various sectors due to the shortage of skilled labour and is likely to put pressure upon other sectors such as education and health services: it is already costly for the government to rely upon importing expatriate skills (Kerapetswe, 2008: 17). Thus, this problem has undermined successes in human capital and socio-economic development (Maipose and Matsheka, 2002: 3). A shortage of skilled labour undermines long-term development. The impact of HIV/AIDS on the population of Botswana has reinforced the state's reliance on the skills of expatriates. Seers (1981: 142) has stated that the size of population may reinforce dependence. The government has been praised for the strides it has taken in implementing a widespread antiretroviral drug campaign to fight the disease (BTI, 2012a: 4). This campaign has yielded positive results as more than 905 of those who need ARVs have been able to receive them through the public health system, at no cost. Consequently, life expectancy at birth has increased (ibid). In 2009, there was an improvement in education, as adult illiteracy had fallen below 20 percent for both males and females (Kerapetswe, 2008: 16).

One dimension this paper also discusses in depth is the contribution of development aid in Botswana. Authors such as Bräutigam (2000: 24) have alluded to the fact that Botswana is one of the few developing states that have been able to graduate from the aid system. While aid has become a significant part of many African states' GDPs, Botswana has embodied

self-reliance. It is separated from other African states, who have become accustomed to dependency, despite adhering to the rhetoric of 'self reliance' (Bräutigam and Botchwey, 1998: 23). Bräutigam and Botchwey (1998: 23) argue that decisions that were made at independence in some African states paved the way for greater capacity and may have initiated a path that emphasised sovereignty and ownership. The following section seeks to discuss the role of aid and the key decisions that Botswana had made concerning the management of aid and how the donor recipient relationship has evolved within Botswana. This paper will also evaluate the outcome of the national development plan and thus show the degree of ownership in the outcome of policies implemented within Botswana.

4.3. Significant Decisions made by Government:

Self-reliance as a goal: After attaining independence, the main priority of the country was to attain financial independence as a way of reducing reliance upon grant in aid to cover the recurrent budget (Frank, 2000). The government's first planning document was the Transitional Plan for Social and Economic Development (1966-9). The government decided to limit expenditure that satisfied short-term social and political goals (Jones, 1977: 99). Botswana's development plans between the years 1966 and 1978 pursued the same objectives:

1) They sought to attain the fastest possible rate of growth so that they could raise the standard of living for the population; 2) they sought to achieve budget self-sufficiency in a short period consistent with rapid economic growth; 3) maximization of job opportunities; 4) promotion of an equal distribution of income. The government sought to reduce the income difference between rural and urban dwellers through rural development (Jones, 1977: 99).

Being a poor state and being aware of the fact that there were resource constraints, the leaders of Botswana adopted an open policy towards foreign investment and followed the policy of non-alignment to maximise the volume of foreign aid (Maipose and Matsheka, 2002: 11). Such policies provided benefits for Botswana, as there was an increase in aid from numerous donors. Botswana also relied heavily upon grants in aid from Britain for all of its development spending and its recurrent budget (Maipose, Johnston and Somolekae, 1997: 16). It also had no financial reserves. The United Kingdom provided approximately sixty percent of the recurrent budget, at independence with the rest from customs revenues and local taxes (Maipose, Johnston and Somolekae, 1997: 18; Kerapeletswe et al, 2008: 18). Aid contributions made the state financially viable and therefore it became a priority for the

government to create conditions for financial independence. It was acknowledged by the government that there could not be any presumptions that unspent aid from the Britain's budgetary system would be available the following year. Botswana's civil service also believed that success in spending would lead to more aid in the future; an inability to spend was likely to be penalised by a lower aid (Jones, 1977: 113). The state sought to become self reliant and its economic purposes were: to end grants in end from Britain; to diversify sources of aid so that Botswana was not solely dependent on one donor and it sought to attract foreign direct investment (Maipose, Johnston and Somolekae, 1997: 17). In 1970, there was an influx in aid and it was used to finance newly discovered copper, nickel and associated infrastructure (Frank, 2000).

The trend of Official Development Assistance (ODA) from the 1970s increased until 1988, when it had reached its peak (Kerapeletswe et al, 2008: 18).This was due to the fact that the government required assistance for mining projects, education, social and physical infrastructure and training. Therefore, in this case, aid enabled Botswana to increase revenues from mineral deposits by contributing towards infrastructure development for mineral resource development (Togo and Wada, 2008: 10). Thus by 1973, Botswana did not require grants in aid from Britain to balance the recurrent budget, therefore aid was dedicated to development activities (Maipose, Johnston and Somolekae, 1997: 17). Spending increased and aid agreements were negotiated with various bilateral and multilateral sources (Rakner, 1996: 25). Botswana was attractive to donors because even though it was initially poor, there was very little risk on a default of loans and there was an expectation of prosperity as it was sitting on large mineral deposits (Jones, 1977: 114). It was also attractive politically because it was one of the few multiparty parliamentary democracies in Africa and it put economic interests ahead of political considerations (ibid). Sweden was the first significant bilateral donor after Britain to commit itself to support Botswana with a customary annual aid programme. Most of the aid came mostly from Britain, Sweden Norway, Germany and the United States; however most grants came from the UK (Frank, 2000). Due to its policy of non-alignment, Botswana was able to secure aid from socialist states such as China and the former Soviet Union (Maipose, Johnston and Somolekae, 1997: 20). Therefore, Botswana's ability to diversify aid assistance is evident in the fact that by the early 1980s, there was no donor that contributed more than 20 percent of aid inflows and more than ten donors were distributing significant amounts (Maipose, Johnston and Somolekae, 1997: 20; Rakner, 1996: 28). Loans from the World Bank and the African Development Bank also proved to be

significant sources of finance (Rakner, 1996: 28). The major sectors that had received assistance included transportation, agriculture, human resource development and emergency food relief.

Therefore, it can be said that, at independence, aid was significant for Botswana because the government did not have another source of revenue; however, in the years that followed independence, aid was no longer significant due to the increasing fiscal revenues from diamonds and other minerals. Aid proved to be effective in this case because it was used as investment funds, and it enabled subsequent economic prosperity, centred on diamonds (Togo and Wada, 2008: 10).

Experiences attributed to extended occupation of posts: Another aspect that can be attributed to Botswana's future success is that many ministers and senior civil servants retained their posts for extended periods. Thus, the process allowed both ministers and civil servants to acquire thorough knowledge about policies and problems within their respective ministries (Leith, 2005: 56). Another unique factor is the fact that there is a high retention rate of staff in the MFDP: it was noted by Maipose, Johnston and Somolekae (1997: 23) that most of the middle and senior officers in the MFDP, had careers, which had spanned a period of at least ten years and others, had tenures of more than twenty years. Local professional capacity building has progressed relatively well. Therefore, ability to engage with donors at managerial and political level successfully can be attributed to the extensive years of experience that the members of staff have had (Maipose, Johnston and Somolekae, 1997: 23). Rakner (1996: 39) has stated that one of the successes of Botswana's relationship with donors has been the extensive knowledge that it has about its donors, such as their strengths and weaknesses and their preferences. Based upon this knowledge, Botswana has been able to match the various donors to the appropriate national priorities. Another factor is Botswana's low levels of corruption among civil servants (Sebudubudu, 2005: 81). Patronage and corruption politics have not featured prominently within Botswana, as entrance of civil servants into the public service is based upon qualification and merit (ibid.)

The role of foreign technical assistance: Botswana relied heavily upon foreign expertise, (technical assistance) initially from the British, then other donors. President Khama did emphasise that efficiency would not be sacrificed for localisation: due to the low rate of an educated population, it was evident that such personnel were deemed a necessity if the standard of public administration was to be sustained at a quality necessary for rapid growth

(Leith, 2005: 57). Raphaeli, Roumani and Mackella (1984:6) argue that Botswana's post independence politics was characterized by a lack of ideological inclination and the willingness to bring in expatriates where there were absent local capabilities. Contrary to other African states that had attained independence rather than reject technical assistance, Botswana sought and accepted foreign advice and expertise (Rakner, 1996: 18). Thus, 'localisation' in Botswana did not have a place upon the political agenda (Maipose, Johnston and Somolekae, 1997: 20). Botswana has also taken a wary approach towards localising staff positions. Thus as consequence, the state has been quick to utilise the services of foreigners. Prior to 1996, all foreign technical personnel were required to occupy established line positions in the ministries. Thus, foreign technical personnel were subject to the authority of the departments they worked for (Rakner, 1996: 39; Maipose, Johnston and Somolekae, 1997: 24). The government had also resisted local counterparts to be provided as technical personnel because there was a general shortage of workers. However today, the process of localisation has been initiated: the expatriates in the line positions are replaced when locals are efficiently trained to take over those positions (Rakner, 1996 39; Maipose, Johnston and Somolekae, 1997: 24; Bräutigam and Botchwey, 1998: 24). If the technical assistance is not available locally, or is not provided by volunteer services or donors (on request) the government will advertise and hire international staff (Bräutigam, 2000: 51). TA requirements are well thought-out in the perspective of overall sectoral and institutional requirements rather than in terms of individual projects (Land, 2003:8).

According to Kerapeletswe et al, (2008:18) technical assistant personnel were important because they sought to do their tasks efficiently: they contributed towards the efficiency of government and facilitated the transmission and use of technology and ideas from various parts of the world. They also did not attempt to apply a "one size fits all" approach or try to push the agenda of their agencies but rather sought to know more about the local conditions, including the institutional capacity to implement policies they had agreed to with government (Leith, 2005: 57). Technical assistance has remained the most important type of aid, prior to the late 1980s capital assistance attracted the highest level of aid but declined in the late 1980s because donors moved away from physical infrastructure projects (Rakner, 1996: 28; Maipose, Johnston and Somolekae, 1997: 19). The priority given to technical assistance highlighted the attempts made by government and donors to deal with the qualitative and quantitative aspects of independence: it sought to deal with the limited stock of educated people to perform tasks through the use of expatriates; the leadership sought to acquire

effective operation of the economy through efficient governance. Stiglitz (2002) has pointed to the aspect that the government of Botswana has responded well to assistance offered by bilateral and multilateral agencies: the government of Botswana's favourable development environment has made it attractive to donors

The development planning system: Thus Maipose, Johnston and Somolekae (1997: 22) highlight the fact that the success of Botswana's planning system can be attributed to the fact that there is political involvement and support: having the support of political leaders has been significant in the effective functioning of the planning and aid management system. The NDP is approved through parliament, which gives it the status of a law. The NDPs has a role in projecting the expected revenues and setting the priorities for spending (Leith, 2005: 58). Maipose, Johnston and Somolekae (1997: 23) have also highlighted that Botswana's development management has also been supported by the strength of Botswana's economy for the following reasons: a strong economy has meant that Botswana has had more resources (contribution of donors) at its disposal to facilitate planning. Botswana was able to plan and abide by those plans because it had resources. Aid resources that the government receives have been centrally managed and have been incorporated into the overall national development planning and the budgeting process (Rakner, 1996: 28).

The implementation process of the National Development Plan is considered significant in the management of aid resources. As mentioned, the increase in aid flows occurred at the same time as the initiation of economic planning within Botswana, which helped to establish a rational and ordered system for preparing requests for foreign aid (Maipose, Johnston and Somolekae, 1997: 21). Botswana's dependency on aid at independence encouraged political leaders to put importance on attaining: fiscal discipline, the expansion of the revenue base and securing value for money. Therefore, a strong planning system was deemed essential to achieving these objectives (Maipose, Johnston and Somolekae, 1997: 21). Botswana also continues to rely upon a six year planning cycle; with midyear reviews to renew the plans as a reaction to changes in the economic and policy environment, introduction of new projects and alterations in project designs or schedules. The responsibility for securing, coordinating and monitoring foreign aid lies with the Ministry of Finance and Development Planning (Rakner, 1996: 28). The MFDP also has the responsibility of producing final national development plans. Line ministries have to devise strategies and determine priorities for their particular sectors. Thus to guarantee coherence in budgeting and planning, in general development responsibilities are incorporated into the MFDP. Because planning and

budgeting have been integrated into the MFDP, this means that the government is able to plan for all public expenditure as well as public investment. Also investment projects, regardless of whether they are funded by government or donors, are not approved if the government cannot finance recurrent and investment costs (Maipose, Johnston and Somolekae, 1997: 22). The central government does dominate the planning process, even though the planning process does involve national and local consultation: senior bureaucrats play a significant role in policymaking. Therefore, this development plan was implemented with a strong degree of ownership from Botswana, rather than aid donors. The government also never relied upon the structural adjustment loans from the International Monetary Fund (Togo and Wada, 2008: 12). Botswana has retained a strong degree of ownership as aid management has been linked to the state's planning and budget procedure, thus this means that aid is coordinated to maintain the state's development strategy.

Consultation: Following the independence of Botswana, several decisions were made that would contribute towards its success in the future: The government adopted a consensus approach which dominated: drafts cabinet memoranda on proposed plans would circulate to the various relevant ministries for comments and a memorandum would be put forth in the Cabinet, only after a ministries had concurred. Thus, this process reinforced the culture of consultation, as it was institutionalised in the form of regular consultations with various ministries who dealt with policy issues (Leith, 2005: 56). Strong emphasis upon consultation and consensus has contributed towards the success of development planning and management. It has been noted that commitment to aid projects cannot be made until all parties are consulted and there is consensus regarding the implementation and aims of projects. While the consultation process is limited to political leaders and civil servants, extensive public consultation is undertaken when it comes to projects and policies that may affect a large number of citizens (Maipose, Johnston and Somolekae, 1997: 24). Thus, donors may often be displeased as this is a long process for agreements to be made, however for the government of Botswana, such measures are taken to ensure that the benefits and costs of policies and projects have been analysed. Thus, donors have concurred that a cautious approach is of benefit when it comes to the implementation of policies and projects and therefore this increases the commitment to the projects. This highlights what Wangwe (1997) has stated, the success of the outcome of a programme or project increases when the recipient government has the capacity to identify, implement and evaluate the programme or policy. Within the context of Botswana, it is important to note that it is hard for donors to be isolated

from the realities of the local environment in which they work, because the state has the duty of determining national priorities and which projects require aid.

Since independence Botswana, has at times received the largest amount of aid on a per capita basis. By 1990, Botswana was the fourth largest per capita aid recipient after states such as Jordan, Israel and Gabon, however since then the aid volumes have decreased and in 1999, Botswana was ranked 23rd in per capita aid recipients. Therefore, Botswana's aid dependency has declined: Between 1975 and 1979 aid averaged 15 percent of GDP, by 1997, aid as a percentage of GDP averaged three percent. Thus, how can this be explained? Kerapeletswe et al, (2008: 18) state that this was mainly due to receipts from mineral exports, good governance and cautious economic management. However, the management of aid cannot be dismissed.

4.4. Aid Management and Strategies Employed by Botswana:

Kerapeletswe et al (2008: 18) remind us of the fact that Botswana's National Development Plans (NDPs) are responsible for Botswana's aid management system. Development Planning is the foundation of Botswana’s development implementation and the basis for aid management. The plans serve as guidance for public expenditure and aid from donors (Kerapeletswe, 2008: 18). Centralised aid management also serves as a guarantee that donor projects will coincide with government priorities. It also allows for accounting for recurrent costs and it encourages donor coordination. The NDP provides a list of projects for which funding is needed and therefore this gives donors the opportunity to choose projects that deal with the goals and priorities of the government (Maipose, Johnston and Somolekae, 1997: 21). Therefore, it is evident that there is a sense of ownership as the state has the ability to determine projects that are a priority.

The Ministry of Finance and Development Planning (MFDP) also operates as a donor coordinator. All acknowledge the leadership and responsibility of the government: the MFDP is headed by the Vice president and administratively run by a senior permanent secretary. Divisional directors who are within the permanent secretary rank support the senior permanent secretary and they are in charge of economic affairs, economic affairs and foreign affairs. This ensures close links and coordination of significant development tasks (Maipose, Johnston and Somolekae, 1997: 21).The government of Botswana has emphasised that the foreign aid that it receives fit into the National Development Plan framework.

The MFDP prepares projects along with the necessary line ministry and then match projects with the appropriate donors (Bräutigam and Botchwey, 1998: 28). Line ministries also do not have the duty of negotiating directly with donors (Bräutigam and Botchwey, 1998: 28). Initially the government's development plans were determined around a list of projects that required external finance therefore this gave donors the opportunity to choose which projects they would finance, and it gave the government the ability to make sure that the projects financed met the priorities of the government (Maipose, Johnston and Somolekae, 1997: 21). Each development plan entails expected foreign exchange resources, projects and priorities of the government. The government of Botswana has been one of the few states in Africa that has been willing to reject offers of aid that do not meet the priorities or development purposes (Maipose, Johnston and Somolekae, 1997: 32; Bräutigam and Botchwey, 1998: 28). It has also rejected aid where it has felt that the costs perhaps outweigh the benefits (Land, 2002: 6). Thus, the ability to present donors with project agendas already within the NDP framework has increased the government's level of ownership (Rakner, 1996: 39).

Botswana is set apart from other sub Saharan states because it is not considered a Round Table (RT) or Consultative Group (CG) state. Therefore, the government is able to negotiate with donors on an individual level and as a result, it is able to take advantage of different donors' approaches towards giving aid and conditions stipulated. This is beneficial, as it does not have to face donors as a unified front. Meeting donors as a unified front, presents donors with the opportunity to thwart the ability of recipients to negotiate (Maipose, Johnston and Somolekae, 1997: 24). The government also does not feel obliged to have donor coordination because it coordinates the efforts of donors within the country. In order to aid coordination at a sector level, the government has required that donors specialize in certain sectors as a way of limiting the number of donors in each sector (Maipose, Johnston and Somolekae, 1997: 24). This strategy is a way of removing the administrative pressure upon the MFDP and line ministry officials, who do not have to spend time on educating new donors about the needs and requirements of each sector (Maipose, Johnston and Somolekae, 1997: 24). These strategies have allowed Botswana to remain within the 'driver's seat' as they have been able to 'pick and choose' donors as well as match donors to their preferred national needs.

By the 1990s, Botswana had been a recipient of development assistance for twenty-five years and the state had also built a centralised aid management system; the state had also built institutions that had integrated aid into its national development plan. Therefore, Botswana was able to exercise control over issues pertaining to aid management: it could reject donor-

financed projects that did not meet its national development strategies. Therefore Kerapeletswe et al (2008: 25) state that it was such characteristics that made Botswana an attractive candidate for aid.

4.4.1. Overview of the NDP 9:

Since independence, Botswana has prepared ten National Development Plans. The plans are driven by Vision 2016, which is harmonized to the United Nations Millennium Development Goals (UNMDGs). Vision 2016 is structured along seven goals that include various sectors. It envisions a nation that is educated and informed; a democratic and accountable nation; a nation that is productive, innovative and prosperous; a just and caring nation; a moral and tolerant nation and a nation that is proud and united (UNDP, 2009: 3). Thus, it is significant to align the strategies for the National Development Plan to ensure that they make an important contribution towards the attainment of the Vision pillars and UN MDGs (Ministry of Finance and Development Planning, 2007:2). The country signed the UN MDGs declaration in 2000 and therefore embraced the goals. Currently the Government has put emphasis upon the tenth National Development Plan. The Ninth Development Plan (NDP 9) spanned from April 2003 to March 2009 and was entitled, "Towards Realization of Vision 2016: Sustainable and Diversified Development through Competitiveness in Global Markets". It was noted during its Mid Term Review (MTR) that issues that emerged should be linked to the Vision 16 pillars and MDGs. It was also acknowledged, that there was a need to connect the major thrust of the Plan to various sectors' strategies and policies. It was also stated that the Plan should articulate how different sectors would deal with emerging issues. In 2003, the government also prepared a National Strategy for Poverty Reduction, which highlights the priority areas of the NDP and aims to make sure that there is poverty focus in the NDP and sector strategy implementation (AFDB, 2009). As noted before, the ninth national development plan (NDP 9) was designed to meet the country's development targets, which were consistent with the Vision 2016: these targets included: economic diversification, poverty alleviation, employment creation, macroeconomic stability and fiscal discipline, public sector reform, rural development, human resource development and disaster management.

The NDP-9 also addressed issues of the fight against HIV/AIDS among one of its main policy areas, as Botswana has one of the highest HIV/AIDS incidences in the sub Saharan Africa (ibid). HIV/AIDS is an impediment to human development and is undermining the

socio-economic gains that Botswana has attained since independence (Forum Syd, 2006: 7). The government's efforts to respond to the crisis were outlined after the initiation of NDP-9 along with a separate National Strategy Framework for HIV/AIDS. Thus, Botswana is overwhelmed by the magnitude of the problem to provide sustained quality of care. Resources that would have been used for social and economic development, including education, poverty reduction and agricultural development have been diverted towards care and support (Forum Syd, 2006: 7). Therefore the impact has been negative on economic and productivity growth, as the most productive people are dying and capacity to use resources for social and economic development are limited. Thus, Botswana implemented a multi sectoral approach to interventions. Various stakeholders including civil society organizations have been involved and the National Policy has guided the interventions on HIV/AIDS. The implementation of the HIV/AIDS interventions is coordinated in line with the National Development Plan. Thus, Botswana received external support for its implementation (AFDB, 2009: 2). The external support has included the President's Emergency Plan for AIDS Relief (PEPFAR) and the UNDP.

It was acknowledged by the UNDP (2009), Morrison and Hurlburt (2004: 13), that there are capacity constraints within the health, water and agricultural sectors in terms of human resources, and that slowed down HIV/AIDS programme implementation. It has also undermined the possibility to attaining goals set out in the Vision 16. Private and public donors, who have established themselves within the country, have recruited the state's administrative professionals. Thus, this has stripped hospitals and ministries of staff who could implement donor programmes and train new staffers (Morrison and Hurlburt, 2004: 13). The expansion of health services within Botswana has indicated that there is a shortage of trained health workers to provide primary healthcare services human resources. It was noted by NORAD (Campbell et al, 2012:54) in an evaluation report of Norwegian Health Sector support to Botswana, that implementing a very extensive Antiretroviral Therapy programme between 2004 and 2007, required additional human resources. Since 1975, technical assistance for district health service has been carried out using the procedures and systems that were developed by TA. It was assumed that Batswana doctors would replace expatriates but this goal still needs to be attained. Donor assistance in this case has been a desirable way of facilitating national development goals. However, sustainability of health care systems without support of assistance from donors remains a critical factor.

4.5. Donor Engagement:

Botswana's successful economic performance has resulted in it becoming a middle-income state. Thus, as a result various development partners have either reduced or ended their aid programmes in Botswana (UNDP, 2009: 11). The decline can be attributed to recent economic conditions and the relative wealth of Botswana. However, Botswana's government emphasised that an exit based upon a high capita income is relatively unfair since development in Botswana could not be equated with economic growth (Kerapeletswe et al, 2008: 30). There has also been a shift from grant aid to loans (European Community and Republic of Botswana, 2001: 10). Since the Swedish International Development Agency closed its bilateral aid programme in Botswana in 1998, it has been concentrating on HIV/AIDS through regional initiatives. The report presented by Kerapeletswe et al (2008: 63) on the donor relations with Botswana has highlighted that the decline in aid funding has not been an issue for Botswana: the financial aspect of an exit by donors such as Sweden, was not a problem due to the state revenue Botswana had. Thus, the report regarded the exit as a smooth operation and Botswana's government was willing to cooperate. The success of the exit by Sweden as a donor, from Botswana was also aided by the link between the management system for aid implementation and national planning.

One of the main impediments to the development of Botswana was access to technical knowledge and Technical assistance. Technical assistance aided the manpower constraint however the withdrawal of technical assistance from states such as Norway in the health and road sector has resulted in problems in implementing development plans (UNDP, 2009; Johnston, Maipose and Somolekae, 1996: 40). Thus in Botswana's circumstance it is evident that technical assistance cannot be easily replaced (Kerapeletswe, 2009: 65). The European Commission's support to Botswana, entailed emphasis upon private sector development and training on the use and conservation of natural resources. However, in the recent years support has been given to developing human resources, which has been recognized as essential for economic diversification and growth (UNDP, 2009: 13). The government of Botswana and the European Commission signed a new Country Strategy Paper together with a National Indicative Programme in 2007, which would cover the years from 2008 to 2013 (CSP, 2001: 17). This strategy paper and programme focus upon human resource development, particularly within education and training. In 2009, it was noted by the UNDP (2009: 13) that 84 percent of the EC's aid is granted as budget support. Aid provided by the

United States is particularly centred upon fighting HIV/AIDS. Main contributors include the President's Emergency Plan for AIDS Relief and the Bill and Melinda Gates Foundation.

4.6. Analysis of Botswana's Dependency:

One of the key aspects that separate Botswana from the rest of sub Saharan Africa is the fact that Botswana has managed to utilize aid efficiently and therefore decrease its dependence. Another key factor is that Botswana continues to have a prominent role in its economic and social development and therefore exhibits strong ownership over its development strategies for the state. It is also significant to note that aid was provided under Botswana's strong ownership. Ohno et al (2005: 13) do note that a state like Botswana may have initially lacked the institutional capacity, however in the years that followed, Botswana sought to establish core government institutions for resource management, strategic planning and to acquire economic technocrats who would be insulated from political pressures. Therefore, it was under strong leadership that these technocrats were able to formulate and implement policies pertaining to economic growth. However, despite many years of growth, the distribution of income remains particularly unequal (IMF, 2012: 20).

Even though Botswana was initially regarded as highly dependent on aid but this did not undermine the development of an effective public administration and good leadership. The government took various measures after independence to make sure that the economy would be viable and that Botswana would become self-reliant. With good leadership and good policies, Botswana made sure that high levels of aid would be utilized for promoting a national development strategy (Ohno et al, 2005: 16). The NDP and its incorporation with the annual budgetary process has aided Botswana in the management of resource rent and foreign aid. Botswana has also made sure that aid was integrated into its national budget and planning process, it has rejected aid that did not meet its priorities and has required that donor activities be tailored to the government's way of operating (ibid). Therefore, the government has ensured ownership in its engagement with donors. While Botswana has had a prominent role in its development strategies and has been able to articulate its development goals in its national development plans, it has been acknowledged that it continues to contend with issues of human capital and that may undermine long-term development efforts. Its reliance on foreign expertise for short-term goals could impede on the long-term goals for development. However, one key aspect that remains prevalent is Botswana's ownership in its development strategies. Theory asserted by Seers (1981: 142) reiterates the notion that natural resources

served as a determinant of the governments bargaining power. The high degree of self-sufficiency has had a positive impact on the government's room to manoeuvre in its negotiations with aid donors. It is also important to acknowledge that Botswana's abundance in diamond minerals has allowed it to reduce its dependence on aid, work towards being self sufficient, and therefore articulate its vision for development.

While high levels of aid have been associated with aid dependency, Botswana has proved that this is not true. Botswana's initial dependence of aid did not hinder the government's ability to articulate its vision for development. It was able to manage its development process and coordinate aid as part of its own development initiatives (Ohno et al, 2006: 4). A dependency on aid did not contribute towards a weakening of state institutions or a loss of sovereignty and ownership in development policies. Although Botswana is relatively wealthy now when compared to other sub Saharan states, this paper has shown that at the time of independence it lacked sufficient resources, Botswana was not wealthy and was highly dependent on aid in the subsequent years. The state made strenuous initiatives to establish essential government institutions for resource management and established cadres of economic technocrats who were insulated political pressures (Ohno et al, 2006: 6).

While some may argue that Botswana's economic success was attributed to the discovery of mineral deposits, Rakner (1996: 35) has argued that aid played a significant role when it came to the provision of basic social and physical infrastructure; therefore, such input enabled Botswana to develop and ultimately attain economic growth. Thus, aid was used to complement development initiatives and the state was able to reject funding that did not support its development priorities. By contrast, states that are heavily dependent on aid are not able to implement the measures undertaken by Botswana. Ohno et al (2006: 4) has stated that due to capacity constraints, an aid dependent state would have difficulty in formulating and implementing policy content.

Whitfield et al (2008: 3) have stated that aid dependence is apparent in the manner in which there is a lack of initiatives in developing national development strategies and policies. It is also apparent in the manner in which various states cannot do without foreign aid in their recurrent budgets. It is also apparent when governments lack the capacity to operate projects and programmes without aid. Therefore, the next section will focus on Malawi, a state that many believe exhibits the attributes of an aid dependent state. This next section will discuss the degree of dependency that exists within Malawi and outline the conditions that have

reinforced aid dependency and reduced local ownership. It also shows whether the Malawi followed a prescription of policies designed by donors or if there was a degree of autonomy. The paper will highlight the analytical and negotiating capacity of Malawi and outline decisions that were made to navigate the relationship with donors.

CHAPTER FIVE: MALAWI AND DEPENDENCY

"We are poor yes but a sovereign state and nobody should teach me how to run this country", Bakili Muluzi (AFRODAD, 2007: 13).

Malawi is a state that has undergone various unexpected political changes in the last year. The sudden death of Malawi's leader, President Bingu wa Mutharika resulted in the appointment of his estranged vice President, Joyce Banda (Farrell, 2012). In the short period that Joyce Banda has had as president, she has shown a desire to break away from political and economic decisions that her predecessor had made. She has made several decisions such as rooting out corruption and emphasising freedom of speech and freedom of the media (Wright, 2012; Farrell, 2012). Decisions to overturn the ban on homosexuality and the refusal to hold the AU summit rather than invite the president of Sudan, have shown that she is not afraid to incur displeasure as Farrell (2012) states. Joyce Banda has also embarked upon economic reform. These decisions have contributed towards an improvement in donor relations. Donors had halted aid to Malawi under the leadership of Mutharika because of concerns over governance, economic mismanagement and human rights abuses. However, with President Joyce Banda's appointment to power, Malawi has yet again become the centre of international aid. Farrell (2012) has stated that while Banda has been wooing the international donors, it is important to consider who has really been 'pulling the strings' of Malawian politics. Malawi's relationship with donors has been characterised by periods of cooperation and mutual distrust. Donors suspended foreign aid due to economic mismanagement and attempts by President Bakili Muluzi, to amend the constitution in order to stand for a third term (Resnick, 2012:1). However, since the death of Mutharika, President Banda has initiated the process of cooperating with the international community. Thus, as a result various donors have injected aid yet again into the Malawian Government, in the form of budget support (Wright, 2012). The UK's Department for International Development (DFID) has injected £90 million pounds. The World Bank contributed a $ 110-million package for roads, healthcare and farms (Mail and Guardian, 2013).

President Joyce Banda and her administration have had to rely upon aid, as it is one of the poorest economies. The demand for Malawi's primary exports such as tea, sugar, cotton and tobacco has decreased in the recent years. Tobacco has suffered due to the decrease in tobacco consumption, as well as poor harvest. Mutharika had hoped to initiate a zero-deficit budget to free Malawi from aid dependency; he stated that a zero deficit budget would enable

Malawi to flourish without 'begging' from donors. However, this did not occur and at present, President Joyce Banda has to undergo the economic reforms that Mutharika refused to adhere to. The need for aid has prompted Banda to follow economic reforms prescribed by the IMF despite the discontent of the population. Malawi is also extremely poor as 75 percent of Malawians are living below the poverty line and it has been predicted that by 2030, the population will be at 26 million. (Farrell, 2012). Therefore, economic reforms could lead to a decline in popularity.

It is significant to note that Malawi has had to contend with budget and external deficits, therefore as a result it requires high levels of foreign aid. According to van der Meer et al, (2008: 17) foreign aid in the form of concessional loans and grants has played a significant role in filling gaps in the state's budget and external sector. In 2012, it was noted by the DFID that while aid dependency has decreased it remains particularly high. Thus, Malawi can be regarded as an aid dependent state. Braütigam and Botchwey (1999: 1) stated that aid dependency is apparent in the manner in which the recipient state cannot do without aid within its recurrent budget. In 2012, it was acknowledged by the DFID that aid accounted for 30 percent of the 2010/2011 budget. Therefore, this high percentage of aid flows highlights the degree of dependency on aid to support the recurrent budget.

Due to Malawi's dependence on international support for its development budget, it means that in a crisis most of the population will rely on public transfers and the government will have to turn to external aid for the public transfers required (Rubin (2008: 58). Thus, Action Aid (2011b: 22) has acknowledged that it is understandable that the government would panic at any external and internal shocks that would disrupt its economic and development agenda, whether it is aid flows or donor fatigue or withdrawal, trade imbalances and any external shocks that would have an impact on the Balance of Payments. Malawi's vulnerability reinforces its dependence on aid.

Despite the increase in aid, what has become apparent, are the vocal calls for an end to Malawi's dependency on aid. Wright (2012) has prompted the question of whether more aid to Malawi will ensure steps towards self-sufficiency. Various donors including the International Monetary Fund (IMF) have started to call for Malawi to be weaned off aid, because several bilateral partners have been experiencing internal financial difficulties (*Face of Malawi*, 2012). The UK Minister for Africa, Henry Bellingham has also given advice, stating that the UK intends to see the Malawi moving from its current dependency on aid

towards trade (*Malawi Today*, 2012). Even though Malawi has received aid for forty years, it seems like the notions of 'self-help' and 'aid for trade' are unattainable goals.

5.1. Socio-political Conditions Since Independence:

Malawi is considered the most densely populated state in the southern African region; it is also considered one of the least developed states (ACTSA, 2012: 1). The economy is predominantly agrarian and based upon smallholdings (van der Meer et al, 2008: 16). The state's economic performance has fluctuated because growth has come from sectors with low multiplier effects: the smallholder sector has grown at an average of 9.5 percent, the construction sector and financial and professional services at 8 percent and 8.7 percent, respectively. The manufacturing sector is deemed small and between the years, 1994 and 2006, it dwindled from 17 percent to 10 percent (van der Meer et al, 2008:17). The state has also been vulnerable to weather conditions, thus droughts and floods have limited growth. One of Malawi's goals has been to induce economic growth, which results in development at all levels, however this goal has remained a challenge as Malawi has a weak economy, which is vulnerable to exogenous shocks.

Between the years 1994 to 2006, the government budget as a proportion of GDP was approximately at 39 percent. Between the years 1994 to 2006, the government's budget averaged 38 percent, the rest of which were grants that averaged 72 percent of all the foreign aid. The seven largest contributors of external aid accounted for about 80 percent of official development assistance to the country in 2011 (Kowayi, 2011: 1). Since 1994, dominant donors have included the World Bank, International Development Association, the UK, the European Commission, the US, Germany, Japan and the African Development Bank/African Development Fund (ibid). The DFID (2012: 2) has an influential role in the development policy and analytical issues of Malawi. Due to a lack of available alternatives to aid dependence, the government has had no option but to maintain good relations with donors. It is crucial that the government maintains good relations with donors because donors provide approximately 40 percent of aid for the National Budget for Development programmes.

Malawi attained independence from Britain in 1964 and was regarded as a republican state in 1996 (van der Meer et al, 2008: 15). Its political independence was precipitated by the breakup of the Federation of Rhodesia and Nyasaland (Morton, 1975: 165). According to Morton (ibid.), the government had the ability to ensure law and order however, this was not consistent with the economic reality. Malawi could not be considered a viable state, as it did

not have domestic resources, financial, human or physical capital that would contribute towards its development (ibid). Malawi is landlocked and therefore transportation costs were regarded as very high. Thus, Dudley Seers (1981: 142) has stated that dependency writers have overlooked the issue of a state's physical location and a lack of resources. Seers (1981: 144) stated that governments with liabilities such as few natural resources and a narrow technological base have very little room to manoeuvre and if they had options, it would be considering which state to depend on. Therefore, within Malawi, dependency was reinforced because of a lack of resources (financial, physical or human) and a technical base that could contribute towards development.

It was declared a one party state under the guidance of the Malawi Congress Party (MCP) with Kamuzu Banda as the leader. In 1971, Banda was declared Life President (van der Meer et al, 2008: 15). Malawi was characterised as a 'neopatrimonial state', whereby rule of law was upheld, however patronage networks informally captured the state (Booth et al, 2008: viii). Neopatrimonialism within Malawi was characterised by the 'big man syndrome' under Banda and his successor Bakili Muluzi. Banda was leader of Malawi for a period of thirty years and under his leadership Malawi was regarded as a repressive and dictatorial (van der Meer et al, 2008: 15). Due to internal and international pressure in the early 1990s, a referendum was held to decide whether to adhere to the one party state or relinquish it and adopt a multi- party state. Therefore, the referendum resulted in a victory for those who supported a democratic transition (ibid). In 1994, the United Democratic Front (UDF) was ushered into power, through multi-party elections. Baliki Muluzi was elected president. While there was a transition from a personal dictatorship to multiparty politics in Malawi, Muluzi's political and personal style was similar to Banda's (Booth et al, 2006: viii; van der Meer et al, 2008: 15). Repressive measures remained in place and there was evidence of economic mismanagement. The 1994 and 1999 elections showed that the UDF remained popular within the southern region of the state, while in the central region, the MCP dominated; the Alliance for Democracy (AFORD) drew its constituency from the northern region. What is important to note is that voting pattern was consistent with ethnic boundaries (van der Meer et al, 2008: 15).

In the 2004 elections, it was evident that there was a breakup of the voting patterns as new coalitions were established and many candidates contested and won. The presidential candidate for the UDF, Bingu wa Mutharika won the elections in 2004. Prior to his election, there were attempts to change the constitution so that the incumbent president, Muluzi could

remain in power for a third term, as the constitution prohibited this. Therefore, the motion for a constitutional change was denied and in 2004, Mutharika was the newly elected president (van der Meer et al, 2008: 15). When Mutharika came into power, he initiated corruption investigations, which displeased his former UDF allies. He left the UDF at his own accord and established his own party, the Democratic Progressive Party (DPP). Thus as head of state, he headed a party that had never been elected by the electorate in a general election (ibid).

Van der Meer et al (2012: 15) have stated that Malawi's party structure was deemed unstable as parties were occupied by strong personalities who sought to 'own' their parties. Politicians also defected for opportunistic reasons and often returned if they received incentives. Thus, Malawi's 'big men' syndrome and patronage system contributed towards excessive deference and that stifled innovation and made it difficult for several members of society to be empowered. Despite the fact that there were few benefits acquired by the mass, abuses by the 'big men' were tolerated. Collectivism according to Booth et al (2006: ix) prompted conformism and acceptance of mediocrity and traditional society was not tolerant of dissent: political slogans that Banda used to impede his opponents (unity, discipline and obedience) had a significant appeal among rural Malawians. It can be said that the governance situation within Malawi, remains a challenge: as formal democratic institutions remain somewhat weak and under the former presidents, basic freedoms, such as freedom of expression, assembly and legal due process came under international scrutiny as voices of opposition were suppressed (DFID, 2012: 2).

Since the death of Mutharika in April 2012, Joyce Banda has used her time as president to prevent the decline in human rights and strengthen the forms of governance based upon delivering public goods to citizens rather than enforcing patronage. The Department for International Development (2012: 2) has acknowledged that there is a strong will to prevent political and economic decline however there is acknowledgement that reform will not be an easy process. While there is a political will for reform, there should also be a will to decrease the level of dependency on aid. With the state's dependency, it may be difficult to attain autonomy and sustained self-reliance. Malawi's dependency is evident in the manner in which donors alter the state's behaviour when it comes to political and economic aspects. It has been stated that the economic and diplomatic mess that Mutharika left behind, has provided bargaining power for donor partners. Thus, the room to manoeuvre is limited for Banda. Malawi's present circumstances reiterate the idea asserted by dependency theorists

that that excess demand for aid puts donors in an advantageous position (Todaro and Smith, 2009). Thus, with aid resources dwindling, it seems that Malawi may have no choice but to both adhere to donor conditions and follow IMF led economic recovery measures or come up with innovative ways of addressing a financial gap. In order to understand the degree of dependency of Malawi, the next section will provide a historical account, outlining circumstances that have reinforced dependency.

5.2. Leadership under Kamuzu Banda:

When Malawi became independent, its domestic resources were limited: it was evident that if it did not acquire external support, financial and manpower resources, the economy would have collapsed rather than develop. Unlike its neighbours, Malawi did not have substantial mineral deposits. It lacked direct access to the sea, technology, skilled labour and mainly capital (World Bank, 2000: 1). At independence, the spending level was higher than what domestic resources could support. Thus, it faced a recurrent budget deficit, and was dependent upon external resources for development purposes (Morton, 1975: 165). Morton (1975: 165) stated that if the government did tackle its deficit problem without external funding, there would have been economic decline and political instability. Thus, Malawi's position ultimately highlights the fact that a lack of resources can have an impact upon self-sufficiency (Seers, 1981).

In its 1965-9 Development Plan, the government acknowledged that external capital was essential in financing economic development. The UK had promised aid for many years to come for balancing the budget and capital development, it had also received technical assistance and small quantities of financial aid from other sources (Morton, 1975: 16). Nevertheless, Malawi did not really have the prospects of attracting external aid in sufficient quantities as Botswana had. Therefore, this reinforces the sentiments echoed by Seers (1981) that natural resources are a determinant of a government's bargaining power. Thus, Malawi was not regarded as strategically valuable to donors. Outsiders did not believe that Malawi's development chances were high as the state's economy had stagnated for many years, it yielded few resources and it was inexperienced in economic management. Thus, it was an unlikely candidate for aid because lenders and investors hoped for a return on their money (Morton, 1975: 17). There was a shortage in skilled manpower to devise or implement policies, thus there was a gap between the political aspirations of the government and skills and expertise required to make aspirations a reality (Morton, 1975: 14). The aid that Malawi

was offered in 1964 could not easily be utilized due to the fact that donors such as Britain, West Germany and the US would tie aid to the procurement of goods and services they produced; it was also tied to use for certain projects. Aid was also in the form of loans rather than grants. Therefore, accepting tied aid would not have been a good policy decision because Malawi would have to buy particular products from the donors mentioned in return for development assistance (Senanayake, 2011: 61). The recipient would also have to pay loan money back to the donors and end up with the burden of debt to donors. Another aspect the country had to consider was that tied aid was more favourable under capital-intensive programmes and that it led to the use of goods, services and technology that Malawi perhaps did not have the capacity to maintain or use. Therefore, costs associated with maintenance were too high (ibid). Therefore, the Malawian government realised that procurement tied aid would be of limited value (Morton, 1975: 17). The country had to deal with the issue of eliminating its budget deficit; therefore, it had to be cautious about acquiring further debt servicing obligations to donors and creditors. Both Malawi and Britain hoped that Malawi could reduce its budget deficit (ibid). However, the cost on the development account would often lead to expenditure on budget, as schools that were built would have to be operated and roads would have to be maintained (ibid).

Donors would provide costs for development projects however, the cost of operation would place a burden on the recurrent account unless projects were able to generate their own operating costs or lead to an increase in revenue (ibid). During the post independence years, Malawi received substantial external support, as financial flows accounted for approximately 5 to 15 percent of the GDP and between a third and a half of total government expenditure in a year (Morton, 1975: 164). Evidence also points to the fact that Malawi was not negligent in its initiatives to generate domestic revenue for development even though it relied on aid. There was an increase in gross domestic savings from an average of 2 percent GDP in 1964-6 to 8 percent in 1971-3. Thus this is inconsistent with the notion that aid in supplementing domestic resources, acts a substitute for and not an addition to domestic savings (Morton, 1975: 165). Within the monetary sector, domestic savings covered nearly half of domestic investment expenditure in 1973; the investment spending in 1973 was equivalent to 20 percent of the GDP, when compared with 9 percent in 1964. This can be attributed to the government's initiatives to curb its consumption spending and to mobilise resources through taxation (ibid). Budgetary aid was deemed important to Malawi's development. Britain was opposed to such aid because it was believed that it could be used as a contribution to general

revenue, it was difficult to control and it was an open ended commitment, and Britain wanted colonial governments to be self sufficient (Morton, 1975: 90).

Thus, the aid provided by Britain to the revenue account meant that Britain would have the responsibility of supporting Malawi's expenditure and policies. The British government had the responsibility of accounting for its use of public funds and therefore it was difficult to do so without scrutinising the policies and expenditure of Malawi (Morton, 1975: 92). Nevertheless, negotiations between Britain and Malawi were not one sided and Britain did not seek to exercise its authority. While Britain may have disagreed with the policy decisions that Malawi had made, it could only extend advice when it came to policies. Malawi also had option to consider the advice of Britain. Britain could have exercised its power by exercising control over items of expenditure or by ensuring that domestic resources were not diverted from approved revenue spending, however the Malawian government would not have approved such leverage (Morton, 1975: 93). One point that must be noted is that, like Britain, Malawi sought to end budgetary support, as it believed that budgetary aid dependence was undesirable. The Malawian government believed that budgetary aid was a constraint on political independence because the government's ability to administer was dependent upon its ability to meet the recurrent expenditure commitments than capital expenditure commitments (Morton, 1975: 94). Thus, during this period, Malawi was given policy space and the ability to manoeuvre and take responsibility for policies.

In 1971, the Statement of Development Policies was initiated after donors felt that it was necessary for Malawi to have a more detailed and explicit statement of the government's strategy if resource allocation was to be improved. Thus, Devpol as it was known was a perspective plan that outlined in detail Malawi's development objectives. The policy statements outlined and clarified the nature of development strategies (Morton, 1975:108). Morton (1975: 106) notes that the Development Plan of 1965-9 was scarcely a plan because there was no detailed presentation of its projects and there was no indication of how projects would be implemented. Even though the government's ultimate plan was to raise the standard of living of the mass, its immediate strategy was dependent upon the resources available. Thus, the state's ability to attract foreign aid was dependent upon economic performance. Malawi's reliance on external aid affected Malawi's approach to development: with very little to offer potential donors, Malawi had to demonstrate its commitment to development through mobilising domestic resources through taxation, encouraging savings and investment and popular participation in development activities but also ensuring administrative

efficiency and absence of corruption (Morton, 1975: 114). Malawi's choice of projects was influenced by what donors were prepared to finance. Concerning Britain, it had communicated to the Malawian government, what kind of projects it would support. Therefore Malawi exhibited a weak degree of ownership as it had to adhere to the preferences of donors. Donors determined which projects they would finance.

5.2.1. Development Plan and Economic Success:

Banda, in the early years had insisted upon doing most of the policy planning himself and when he did not comprehend certain issues, he would consult with the principal secretaries (expatriates who had retained their positions for several years after independence) and give instructions. Principal Secretaries (PS) were regarded as competent and were given the authority to negotiate with donors; the negotiator could only agree to agreements if he was certain Banda would concur with the decision (Cammack and Kelsall, 2010: 13). Senior party officials within a district selected the MPs and most of them were not adequately educated and lacked the experience. However, they were recommended to Banda as candidates and their loyalty granted them favours. Banda often patronised them and they did not add significant contributions to policies, as they lacked the technical capacity to design policies. Consequently, Banda would often engage with PS and exchange ideas (ibid). Any policy that was initiated by PS' offices or the Office of the president or Cabinet would be taken to parliament and ratification bills would be passed. The ability to make quick decisions was attributed to the fact that there were very few ministers and Banda headed quite a few departments: External affairs, Agriculture and Works. Thus, development policies were very much centralised (Cammack and Kelsall, 2010: 13).

Booth et al (2008: 4) state that between the years 1964 and 1979, Malawi achieved rapid economic growth, every year, the average rate increase in GDP was over 5 percent; the government also endorsed an agricultural development strategy in the absence of a private sector in minerals or manufacturing. In 1965, the government recognised that estate agriculture was significant along with peasant agriculture, if the state was to achieve a high rate of economic growth (Simukonda, 2005: 69). Instead of pursuing industrialization, Malawi opted to concentrate on agricultural production of cash crops, particularly tea and tobacco (Anders, 2010: 36). Malawi also hoped to attain growth through public investment in infrastructure and attain self-sufficiency in food production (World Bank, 2000: 1). Thus, the government's development policy was designed to create employment and therefore

agricultural development was deemed the panacea to ensuring this goal. There was also direct involvement by the government in economic activities through investment in state owned enterprises and state holding corporations invested in various sectors of the economy, which included manufacturing, financial and agricultural sectors (Chirwa, 2005: 3). The Agricultural Development and Marketing Cooperation (ADMARC), a state marketing agency played a significant role in the agricultural development strategy (ibid). ADMARC was a buyer of smallholder produce and a supplier of agricultural inputs (Chirwa, 2005: 8). The industrial sector focused on processing agricultural products for domestic use and export (Cammack and Kelsall, 2010: 11). Banda encouraged the farmers to work hard and to produce various crops of high quality (Cammack and Kelsall, 2010: 10).

Thus, the government extension workers approved some farmers' performance and as a result, farmers were rewarded with loans for farm improvements (ibid). Banda encouraged an emergence of an elite class within Malawi that could foster agricultural development and national growth; however, those regarded as less productive were excluded. Poverty analysts criticised this policy because ADMARC was taxing smallholders through pricing policies and used the money to promote estate farming for export. Customary land was leased to more entrepreneurial farmers and they were provided with incentives to grow crops of high value such as tobacco (ibid). Estate farming enjoyed various opportunities because customary land was transferred to the estates and farmers also received credit to adopt improved technologies, however, smallholders lacked access to credit (Cammack and Kelsall, 2010: 12). It is evident that the government's policy fostered the great expansion of estate agriculture at the expense of smallholder agriculture (Chirwa, 2005: 6). Thus, it was evident that there were also inequalities in access to land resources.

Thus, Malawi managed to pursue its development strategy with success (Booth et al, 2006: 4). Malawi also impressed international financial institutions because of growth witnessed in the 1970s; its willingness to rely upon market and private initiatives rather than state intervention also impressed IFIs (Cassen et al, 1986: 93). Banda had a clear, well-defined vision for development. Banda's vision was characterised by an estate sector, export led growth sustained by the smallholder provision of land, labour, food and finance. He used the power of the state to direct productive assets into the hands of those he believed would use them productively (upper levels of politicians, military and civil servants, who had capitalist ambition). However, Booth et al (2008: 4) state that Banda's policy was not sustainable because the responsibility of domestic consumption and contribution towards the domestic

industry lay with the peasant sector. Smallholders produced maize, groundnuts and cotton and prices were kept low to allow accumulation of profit in domestic industry. Smallholder production was limited to food production rather than diversification into high value or export crops like tea and tobacco (Chirwa, 2005: 7; Simukonda, 2005: 70). Booth et al (2008: 5) also argued that trying to squeeze land, profit and labour out of a smallholder sector to invest in the estate sector, exacerbated poverty among households, whose land was eroded by a growing population. The population had almost doubled from 3.9 million in 1969, and by the early 1970s, performance within the agriculture sector had stagnated (Booth et al, 2006: 5; Chirwa. 2005: 6). There was also no structural transformation away from agriculture and therefore the exogenous shocks such as changes in the weather and the economic crisis of the 1970s highlighted Malawi's vulnerability.

During the period, 1979 to 1994, Banda lost the capacity to oversee his government. Infighting within government contributed towards a delay in DevPol II being published and there was a failure in improving development planning (Cammack and Kelsall, 2010: 21). There was also a loss of direction when global challenges and internal structural changes occurred. By the 1980s, external shocks and geopolitical events led to the deterioration of Malawi's development performance: by the end of the 1970s, the oil and debt crisis affected Malawi's terms of trade; deterioration in terms of trade also exacerbated economic conditions. Malawi also had to contend with the setback of the economy due to bad weather conditions: a drought between the years 1979-1980 (Booth et al, 2006: 7). The average growth decreased and became more volatile. Malawi also lost its significant trade route, because of the closure of the Nacala rail in Mozambique due to internal instability-the trade route was used for 80 to 90 percent of exports and imports (Fagernäs and Schurich, 2004:6). Between the period, 1978 and 1982, debt servicing, inclusive of paying back, doubled to 28% of current expenditure, forced the state to two successive debt scheduling. The state also had to spend money on defence due to the unrest in Mozambique and therefore consequently there was decline in the budget and current account deficit despite the fact that the government made initiatives to increase tax efforts (Fagernäs and Schurich, 2004:6). There was also widespread poverty and food insecurity and high-income inequality.

Malawi was in a position whereby its negotiating capital was constrained due to economic conditions therefore donors had the resources to counter a decline in economic growth, thus structural adjustment was introduced in the 1980s (Anders, 2010: 35). The International Monetary Fund, designed the Structural Adjustment Programme (SAPs) to assist debt ridden

states, like Malawi to continue their debt servicing through the provision of advice on budget cuts and other measures (Action Aid, 2011b: 13). However, SAPs and Debt gave the IMF leverage to impose economic policies that countries such as Malawi had to adhere to (ibid). In 1981, Malawi embarked upon its first structural adjustment programme, which was supported by the World Bank and International Monetary Fund. The analysis of the first structural adjustment loan highlighted the weakness of the economy. There was slow growth of smallholder exports, increasing dependence on tobacco exports (Chirwa, 2005: 6; Anders, 2010: 37). In 1982, it received its second Structural Adjustment Loan (SAL) and a third in 1985 (Anders, 2010: 37). Thus by accepting the loans, it meant that Malawi would have to adhere to policy measures prescribed to restore economic growth.

Thus, as a prerequisite for assistance with Malawi's economy Malawi had to agree to liberalize its agricultural sector, which is the backbone of Malawi's economy, with Agricultural Adjustment loans to sever government monopoly within the sector (Action Aid, 2011b: 23). The objectives of the adjustment programmes entailed diversifying the economic base, increasing efficiency, improving the policy environment for manufacturing and trade; they also included restructuring the fiscal budgetary allocation and spending. Thus, it was important to liberalise domestic markets, privatize parastatals to increase efficiency and improve the conditions of smallholder farmers (Chirwa, 2005: 4; Fagernäs and Schurich, 2004:6). Despite the implementation of reforms, Malawi did not attain sustained economic growth and this led to a decline in real per capita GDP. Even though there was small growth spurt between the years 1982 and 1985, GDP growth averaged at 2.5 percent per annum between 1979 and 1996 (Booth et al, 2006: 5). The smallholders lacked the capacity to diversify and export; and social services deteriorated as government spending decreased (Cammack and Kelsall, 2010: 24).

It has been acknowledged that donors may implement policies with little knowledge about the local conditions of recipient states. (Booth et al, 2006: 30) This was the case in Malawi. The measures implemented under SAPs did not deal with structural problems such as population growth, the increase in poverty and unequal land distribution. The Principal agent theory has asserted the idea that both principal (donor) and agent (recipient) are concerned with the impact of reform on constituencies in recipient states. However, for donors, the impact of reform may be motivated by policy efficiency in dealing with macroeconomic imbalances. For the agent, the impact of reforms is motivated by the fact that it is responsible to its constituencies. The government was concerned with impact of reforms in the long run.

The government of Malawi objected to the Bank's approach of social service user charges. The government objected to increase school fees as it had an impact on enrolment. Thus, in this case Malawi concentrated on resistance rather than compromises (Cassen et al, 1986: 44). Thus, the measures undertaken by the World Bank and IMF's stabilisation and structural programmes were not to the benefit of the population (Booth et al, 2006: 5). Seers (1981: 144) has stated that a government such as Malawi still had room to manoeuvre when it came to education policies, as this was not a negligible issue and it could not compromise on the education and future of its population.

Booth et al (2008: 30) also acknowledge that in practice the balance of power between programme aid donors and Malawi was not characterised by a one sided relationship: the government of Malawi realised that the pressures on the donors, gave them power. In 1986, the government violated donor conditionality and reintroduced fertilizer subsidies. Many believed that such actions would prompt a cut off in aid from USAID. However, it did not and the World Bank was forced to reanalyse its agricultural policies in Malawi. Therefore, the Bank replaced SAP with the Agricultural Sector Adjustment Loan, which was deemed more realistic and context specific (Booth et al, 2006: 30). Therefore, Malawi's non-compliance paid off, as it encouraged a shift towards better policies (Booth, 2008: 31).

In Malawi, high levels of aid dependence are associated with multiple aid donors and large transaction costs. It was acknowledged by Elliot Morss in 1986 that Malawi faced the institutional destruction, as it had to manage 188 projects funded by various donors. Thus, its development initiatives were reduced to following up on the demands of different donors: each donor had its own procedures, monitoring and evaluation conditions. (Bräutigam and Botchwey, 1999: 11)

With the formulation of the Statement of Development Policies (DEVPOL2) from 1987-96, all ministries were required to make technical input to the document; it went through various phases to make sure that it would not be a list of policies that were not consistent with the development vision (Booth, 2008: 24). Annually the Public Sector Investment Plan (PSIP) was drawn up and each Ministry was required to submit proposals, which would undergo a thorough process to guarantee affordability and consistency with development priorities. Thus, as a result, it meant that it was easier to handle donor driven initiatives. There were times that the government would refuse funding for projects, which they did not regard as feasible. If the projects were not consistent with the state's development priorities, they

would be refused. However Booth et al (2008: 25) argue that today rejection of aid is unlikely.

5.2.2. Foreign Aid under Banda:

While aid has been given to Malawi's government, it is significant to note that donors have continued to use aid as a bargaining tool to alter the behaviour of the Malawian government: aid has been used to induce political and economic reform. It can be acknowledged that Banda's rule was characterised by suppression of civil liberties and political dissent. Legislation was passed to outlaw opposition parties and local governance, chiefs' authority, the courts and parliament, were subordinate to the Executive. Thus structuring the economy required political reform according to donors (Cammack and Kelsall, 2010: 24). During this period, aid flows declined and there was food insecurity, which was to the detriment of the mass. Thus, political conditionality was placed on Banda. According to Resnick, (2012: 2) donor behaviour was erratic: The United States cancelled Malawi's bilateral debt of US$ 40 million, as a reward Malawi for adhering to economic reforms, however the US protested against detention of political dissidents in 1990. The European Community (EC) on the other hand created a set of conditions based on political and human rights for aid recipients in the future and Norway reduced aid to Malawi (ibid). During the transition to democracy between the years, 1991 to 1994, there was an increase in aid flows and the number of donors. This was because of the 1993 referendum, repeal in repressive laws and a release of several political prisoners. Donors also contributed towards facilitating elections in 1994 and funded the Malawian Electoral Commission (Resnick, 2012:3). Therefore Banda's decision to have multiparty competition has prompted some to believe that donors used their financial leverage to effectively force a democratic transition and (ibid).

An increase in aid coincided with the election of the UDF in 1994. When Muluzi was elected into power, there was an increase in bilateral and multilateral commitment. Muluzi took power under the new constitution that allowed him a maximum of two five-year presidential terms. (Cammack and Kelsall, 2010: 24) There was also an independent judiciary and a National Assembly (ibid). In 1995, the government adopted an IMF reform programme and implemented austerity measures as well as privatization measures (Resnick, 2012: 4). Due to the progress made by the government, the IMF rewarded them with loans in 1996 and 1998, which amounted to US$ 22 million and US$ 27 million, respectively. The Consultative Group of donors also pledged to provide US$ 1.25 million to deal with the financial needs of

Malawi. In 1995, the budget deficit of Malawi reached 37 percent of the GDP, because of donors withholding aid due to the government's loss of fiscal control. The state responded by introducing a cash budget system, whereby ministers could not spend more than what the Ministry of Finance had allocated (Fagernäs and Schurich, 2004:6). The government also had to rein in public spending and introduce the Medium Term Expenditure Framework (MTEF) in 1995, which gave each ministry a three-year resource budget to be spent according to medium term strategies (Fagernäs and Schurich, 2004:7). Thus, this reiterates the notion that Malawi was dependent on aid, if it had resources it would have not responded by implementing measures that promoted preferences of donors.

5.2.3. Development Strategy and the Poverty Reduction and Growth Facility:

The new government launched the Poverty Alleviation Programme (PAP); its objective was to fight rampant poverty within Malawi. In 1998, Malawi Vision 2020 was launched and this policy framework stipulated the long-term development strategy of the state. It stated that by the year 2020, Malawi would be a secure, democratically mature, self-reliant state that facilitated equal opportunities and participation (IMF Country Report, 2007: 3). However, both PAP and Malawi Vision 2020 did not have effective implementation mechanisms (AFRODAD, 2006: 10). Thus since 2000, the government has utilised the HIPC (Heavily Indebted Poor Countries)-led Poverty Reduction Strategy Papers as a step towards implementing the Malawi Vision 2020.

As a way of attaining poverty reduction in poor and indebted states, in 1999 the IMF introduced a new policy framework known as the Poverty Reduction and Growth Facility. It was initiated to replace the Enhanced Structural Adjustment Facility (ESAF) of the IMF as a lending institution for poor states. However, many have stated that even though the ESAF was renamed, 'PRGF', the restrictive conditionalities remained. Some of the conditions attached to the PRGF included user fees for education and health services and privatization of water and energy services (AFRODAD, 2007: 5). Thus, these were harmful to the provision of social services. When IMF signed the Millennium Development Goals in 2000, poverty reduction became the main purpose of it activities in numerous countries. Thus, the PRGF was deemed a critical part of the IMF's commitment to poverty reduction. Important features of the PRGF supported programmes included: broad participation and ownership, embedding the PRGF in the strategies for growth and poverty reduction, budgets that were pro poor and pro growth; another key feature was selective structural conditionality and emphasis on

measures to improve public resource management and accountability. There was also the promise of analysing the social impact of macroeconomic adjustments and structural reforms (AFRODAD, 2007: 8). From the year 2000, Malawi implemented an economic programme with the support of the IMF under the PRGF, aimed at restoring macroeconomic stability, which is regarded as a necessity for sustainable poverty reduction (AFRODAD, 2007: 20).

The Malawi Poverty Reduction Strategy Paper (MPRSP) was initiated in April 2002, to structure the foundation of all Government activities and provide guidance for the state's development partners (AFRODAD, 2007: 10). The IMF had initiated the PRGF programme in the attempts to guarantee that the PRGF objectives were in line with the PRSP goals. These goals included, promoting rapid sustainable pro poor economic growth and structural change. Human capital development was essential for participation in social and political development; ensuring that there is an improvement in the quality of life for those deemed vulnerable through the provision of moderate support was also important. It was important to ensure that public institutions and systems protected and benefitted the poor through good governance (AFRODAD, 2007: 12). Thus, while the PRGF emphasised ownership and broad participation of recipients, it was noted that the PRGF policy conditions and targets were supposed to be drawn from the PRSP of Malawi.

In practice, this was not the case. The PRGF programme was not received well when it came to the delivery of social goods to the poorest. It was noted in 2005, that because it placed emphasis upon stabilization and privatization policies, it caused agricultural commodity markets to collapse due to the withdrawal of the state from commodity marketing, selling of pro poor banks as well as farm subsidies (AFRODAD, 2007: 17). It was also noted that within the health sector, it was difficult under the PRGF to recruit new staff and retain staff for fear of missing the budget deficit targets. Commitment to fiscal discipline stated within the PRGF, also hampered the government's ability to acquire new equipment, medication and essential medical supplies (ibid). In 2000, the IMF agreed to limited debt cancellation so that poor states could use the money intended for debt servicing for pro poor sectors and improve service delivery within education, health, food security and agriculture (Action Aid, 2011b: 24). In 2006, the World Bank and the IMF cancelled Malawi's US$3.1 billion debt, after the state had completed some of the Heavily Indebted Poor Country Initiative (HIPC) agreements (Sabola, 2012: 1). However, it was noticed in 2010 that Malawi's debt increased to over $1 billion. Thus, many observers have alluded to the fact that if Malawi had ceased the opportunity of debt cancellation and used the money prudently, it could have reduced further

debt contraction and facilitated economic growth and development (ibid). Action Aid (2011b: 25) has stated that Malawi's increase in borrowing either highlights the fact there is something very wrong with its economy given that it cannot generate its own money or it highlights its inability to compete with developed states at global level (ibid). Malawi's continued borrowing supports what dependency theorists stated: if efficient systems for domestic capital were advanced, these mechanisms would make it possible to terminate aid (Barret, 1984: 1079).

The 2002/2003 MPRS review showed that housing and land policies did not express how they would contribute towards broad based growth and MPRS did not articulate the role of the private sector, thus in 2004, the government initiated the Malawi Economic Growth Strategy. MEGS was not an alternative to MPRS but was regarded as a complement to strengthen pro poor economic growth through investment (IMF Country Report, 2007).

Even though there was progress made in terms of meeting targets stipulated by the IMF, by 2001, donors withheld budget support as Malawi faced fiscal mismanagement. Most of the donors in the Common Approach to Budget Support (CABS) were conditioned to give aid on the basis that the government adhered to requirements stipulated by the IMF. Thus, Malawi had to adhere to several conditions that included: controlled spending, repayment of the government's domestic debt; reducing government expenditure overall to protect priority poverty reduction; new financial management systems would have to be implemented so the aid and the government's revenue could be used for purposes agreed by parliament. There was also emphasis upon adhering to structural reforms in parastatals, the agricultural sector and civil service (Cammack, 2004: 33). It was noted by AFRODAD (2006: 19) that PRGF policies were not subject to public scrutiny and discussions around the policies were not extended to local assemblies and communities. Thus, it has been stated that communities will continue to view the IMF and various donors as mere funders rather than development partners. The PRGS undermined ownership of the programme as the government was forced to adhere to the requirements of the IMF targets at the expense of national social obligations.

The government also defaulted on its privatization programme and there was large-scale increase of corruption which affected the management of the economy (Resnick, 2012: 3) Although there was not a democratic breakdown during Muluzi tenure, the executive power was centralized and political parties remained personalized, and civil liberties continued to be

stifled. It is also important to note that poor political governance was accompanied by economic mismanagement (ibid).

Muluzi used material resources for political support. He also did not have a clear vision of a development strategy for the tobacco and the agriculture sector and the policy was unplanned. Muluzi also established a patronage association with those who had been ostracised by Banda's elite group and policies were dictated more by the need to gain (Booth et al, 2006: 12). Thus, key policies were implemented with the need to encourage patronage. Poverty alleviation was often ridiculed as "politicians' poverty alleviation" (ibid). Thus, this highlighted the extent of the corruption that existed. Booth et al (2008: 12) emphasise that even though Banda sought to spend profits that were accumulated from the tobacco and agriculture sector, he also sought to ensure profits, however with Muluzi on the other hand, the incentive to guarantee profitability began to disappear: the capital assets of Admarc and associated ventures were being squandered (ibid). Corruption was so pervasive under Muluzi, as private acquisitions of public resources became common and there was no incentive to prosecute or curb corruption. Thus, as a result, it permeated from the top to the lowliest public servant (Booth, 2008: 12).

In the first five to six years of Muluzi's rule, the country was run according to developmental logic, however after 2000, there was a change in top personnel: the people put in those positions, were those who wanted a third term for Muluzi (Cammack and Kelsall, 2010: 29). Initially, the president and political leadership were also willing to listen to advice and valued the budget and there were extensive internal discussions with civil servants around development issues. However, decision making centred on development issues took second place and documents that were planned were not implemented. It was stated by a civil servant, that initially, Malawi was rooted in formal policy documents that were aimed at attaining poverty reduction goals outlined within the Poverty Reduction Strategy however after 1999, Malawi was characterised by a clientelist political strategy that sought to keep the regime in power (ibid).

5.2.4. Impact of Neopatrimonialism under Banda and Muluzi:

It can be acknowledged that under Banda and Muluzi, development and its hindrances were a consequence of patrimonial and antidemocratic tendencies. Booth et al (2008: 20) believe that these tendencies have affected the government's ability to formulate and articulate a vision for development. They have shown that this has had an impact on the quality of public

policy because within the context of Malawi there was no serious and detailed public policy that could be used to deal with the developmental challenges that the state had to contend with. There was an absence of real policy and multiplication of policy documents and even though some were good, it never resulted in consistent policy implementation (Booth et al, 2006: 21). The cause of a lack of implementation may lie with the fact that donors may initiate counterproductive policies; if frustrated with the lack of progress the donors may opt to fund alternative policies or duplicate policies, even though the policies cannot be implemented. Another factor is policies may be initiated for short-term political gain and support: often politicians who may seek power may undermine certain policies for material gain and their supporters (ibid). Other policies may be undermined by lack of coordination. It has been suggested that Malawi's political system has also indirectly contributed towards poor quality of service due to the manner in which it has affected the competence of the civil service.

Under Banda, policies and implementation of policies was done with consistency, as civil servants were professional and efficient. Civil servants had to be professional because Banda relied on them and Banda would examine and offer advice on all of the key policy documents (Booth et al, 2006: 24). Therefore, they had to execute duties according to the criterion he expected. Civil servants under Banda often referred to a "culture of fear" when they worked under Banda, as he was critical of greed and a lax attitude. Forms of rent seeking such as corruption, predation and theft were not tolerated (Cammack and Kelsall, 2010: 12). Any perceived disloyalty or dissent could lead to dismissal or detention without trial (Anders, 2010: 43). Another manner in which Banda reinforced authority was that Banda would not allow civil servants to become too powerful and therefore as a result he would move top civil servants between various ministries so that they would not become too entrenched or powerful. Every year in January, Banda would call back the politicians as a group, each new minister would be appointed, and have their duties specifically outlined to them (Cammack and Kelsall, 2010: 14). He would also dissolve cabinet every year.

Muluzi was different from his predecessor when it came to articulating a vision for development. He was limited as he lacked the expertise, and the economic pressures that he had to contend with after the democratic transition, led to a weakening of government systems and fiscal problems (Cammack and Kelsall, 2010: 12). Muluzi, placed individuals he felt he could trust or influence to supervise various ministries and departments. Thus, these people were employed not because of their ability to analyse policies and implement them.

People were employed to implement policies that suited Muluzi, themselves and cronies of Muluzi. Those who were not part of Muluzi's inner circle were sidelined, thus the expertise that they offered was often not taken seriously (Booth, 2008: 25). Within the transport sector, misappropriation of funds from donor projects was notorious. One Minister was arrested though later reappointed by Muluzi to the chair of the statutory body. Consequently, misappropriation of funds led to the slow completion of the road to the northern border. Thus due to the fact that Malawi does not have substantial resources, it would have been a rational option to make sure that there be a good environment for policies to work (Cammack and Kelsall, 2010: 12). However, policies were motivated by patronage. Therefore, this undermined the desired development outcomes. Malawi's conditions under Muluzi reiterate what the principal-agent theory purports, even though donors had financial resources, they could not guarantee that Malawi would adhere to policies prescribed by the IMF.

Thus by 2001, donors had suspended US$ 23 million in development spending. The government also did not comply with tendering and procurement procedures, therefore the EU suspended support for road rehabilitation (Resnick, 2012: 3). The IMF also withheld financial aid under the tutelage of the Poverty Reduction Grant Facility (PRGF) (Fagernäs and Schurich, 2004:7; Resnick, 2012: 4). Since the PRGF was the overarching criteria for budget support, the Common Approach to Budget Support (CABS) donors also suspended their financial assistance for 2002 and 2003 (Resnick, 2012: 4). Even when Muluzi attempted to alter the constitution so that he could have a third term, the pressure against a third term was evident. Bilateral donors such as the US and UK, issued statements and threatened to withdraw aid if Muluzi's bid for a third term was successful.

5.3. Malawi under Mutharika:

> *"The message …is that Africa will be developed by Africans. Africa will never be developed by outsiders … We must take control of our financial resources, we must take control of our policies, and we must take control of our future and destiny"*- Mutharika (Resnick, 2012: 17).

After Muluzi had lost the bid for a third term, his chosen successor for the UDF candidacy for the 2004 elections, was Dr Bingu wa Mutharika. Thus, donors were eager to re-establish good relations with the Malawian government with Mutharika as president: donors were impressed with Mutharika's commitment to fighting corruption and sound and technocratic

management of the economy (Resnick, 2012: 5). Mutharika had a growth development oriented vision than his predecessor. The finances of government were also stabilised and he chose to appoint an ex IMF official, Goodall Gondwe as Ministry of Finance, which was deemed a significant move, as there was an improvement in the financial performance in Mutharika's first term (Cammack and Kelsall, 2010: 32). Gondwe stated that financial improvement was attributed to presidential direction, which was central to finance policy formulation (ibid). Under the administration of Muluzi, Mutharika had worked in the Reserve Bank and in the economic policy department of government, thus his experiences contributed towards his inputs in formulating the Malawi Growth and Development Strategy, which replaced the Poverty Reduction Strategy. President Mutharika also sought to alter Malawi's position as a poor state to a middle-income industrialised by focusing on thematic components of the MGDS, these included economic growth, social development, social protection, infrastructure development and improved governance (ibid). Thus under Mutharika, there was a developmental vision under the MGDS, which focused primarily upon growth and integrated development and not only poverty alleviation (ibid).

Mutharika's regime was set on repairing relations with donors. This was evident in the manner in which the government established its 2006-2011 Poverty Reduction Strategy Paper, with governance as a top priority (Resnick, 2012: 5). During this period, it was noted by donors that budget support did not require parliamentary support and that dialogue existed usually with the executive arm of government and donors. Even though the legislature, judiciary and other regulatory institutions are significant in guaranteeing accountability, Malawi's parliament had very little executive oversight (Resnick, 2012: 7). A large amount of budget support would be given for the executive to decide how it would be allocated. This in turn would hinder parliament from deciding whether the resources were used effectively (Resnick, 2012: 9). It must be noted that the degree of ownership of the strategies was dependent upon the size of local actors that have possession of the strategy (Dijkstra, 2010: 11). However, in the case of Malawi ownership was limited to the executive arm of the government as parliament was not particularly involved.

Through the participation in CABS review meetings and an analysis of the annual budget, the MPs were notified of the contributions different donors would provide through budget support (Resnick, 2012: 9). According to Wroe (2012: 142), Mutharika had to deal with a stricter set of aid conditionalities than his predecessors did. He had to follow the guidelines stipulated by the IMF when it came to the economy. His government also had to adhere to

UN agreements and the constitutional framework. These conditions were often counterproductive to the initiatives of the administration to consolidate its control of the country because it was adhering to guidelines stipulated by external donors and could not articulate its own initiatives (Wroe, 2012: 142). Between the years, 2004 and 2010, the economy experienced growth, as the economy grew at an average of 7 percent. The World Bank attributed this success to sound policies under Mutharika and a supportive donor environment. In May 2009, the DPP under the leadership of Mutharika, won a landslide second term and it was regarded as a sign of the effectiveness of the leadership since 2004.

5.4. Aid Dependency and Ownership in Malawi:

5.4.1. Ownership:

Besides Vision 2020, Malawi had an operational strategy called, the Malawi Growth and Development Strategy (MDGS) for the period 2006 to 2011. The development strategy was formed through a consultative process that included various stakeholders: private sector, civil society and development partners. Under Mutharika, aid within Malawi had been delivered through the Debt and Aid Division (DAD) of the Ministry of Finance, through which various activities were structured to generate resources; the implementation of projects and programmes was monitored and activities by donors were coordinated to increase aid effectiveness (UN, 2010: 74). The DAD also had a responsibility of managing debt and analysing the aid policy. The Office of the President and Cabinet had a role in providing guidance and policy, which affected the manner in which the staff planned to receive and manage aid; the Ministry of Development Planning and Cooperation had the responsibility of formulating the national development strategy and coordinating sector activities (ibid).

The Planning divisions of ministry and Sector Wide Approach (SWAP) secretaries were responsible for planning the programmes and project development partners committed resources had the responsibility of monitoring and evaluating these projects (ibid). The Sector Workings Group had the responsibility of developing new development strategies and operated as consultative forums for building concurrence on national development. Members of the Sector Working Groups (SWGs) consisted of parastatal organizations, civil society, donors, government ministries and the private sector (Action Aid, 2011c: 8). However, it must be noted that consultations in preparing aid policies included very few stakeholders (Action Aid, 2011c: 12). It was also acknowledged that there were elements of weakened

ownership, as states could not mobilise support for various priority areas and programmes (JIMAT Development Consultants, 2010: 20).

5.4.2. Degree of Dependency:

Malawi's aid relationship with its donors could be characterised as highly dependent, this problem of aid dependency was acknowledged within the national development strategy. In 2011, there were serious concerns that the state may be compelled to increase aid dependency as a way of supporting the economy and generating domestic revenue (Action Aid, 2011c: 12). Malawi also had few donors compared to its neighbours; aid was fragmented and there were weak government- donor coordination mechanisms. According to van der Meer et al (2008), Malawi has fewer donors and has received less aid per capita. It was noted that aid dependency has worsened since 2004, thus this shows a slow progress in increasing the revenue base as aid increases. In 2010, it was acknowledged in the Government of Malawi, Annual Debt and Aid Report for 2008/2009, aid as a percentage of government expenditure increased from 34 to 58 percent (ibid). One issue the country had to contend with is the fact that the aid that was received from development partners deviated from aid forecasts the government used for its planning.

In the fiscal year of 2005/2006, project support from donors had a negative impact, as Malawi received less aid than was committed by development partners; the aid from USAID, DFID and the World Bank, had positive variations. It limited the government when it came to being able to prepare its own activities and it hindered the execution of development plans (AFRODAD, 2007: 15). It was also noted that poor donor coordination was attributed to systemic reasons that originated with donors: DANIDA, DFID, EU, NORAD and the World Bank reviewed macro financial support to Malawi and all concurred that administrative procedures were not harmonized. Even though there was intent to implement the Paris Declaration, donors had separate donor disbursement requirements, administrative processes and additional assessments. The Malawi Growth and Development Strategy (MDGS) review also revealed weak capacities in the public financial management (PFM) and procurement (UN, 2010: 76). Even though the MGDS was developed in a consultative manner with donors, civil society and NGOs and deemed a good development framework, it was weakly tied to the annual budget and this disconnect has made it difficult to note if development priorities have been implemented (JIMAT Development Consultants, 2010: 75). Because multi-year strategies and policies were not linked to the annual budget spending, donors had a

difficult task of aligning their resources to that of the government of Malawi (ibid). Thus despite having a clear economic and development goal for development and good implementation strategies, budget allocation and expenditures did not correspond with the MGDS vision and programme. It was noted in an analysis of the 2009/2010 national budget that budget expenditures would decrease when MDGS targets required an increase. This was attributed to lack of sufficient funding to the budget along with mismanagement and weak fiscal policies (Action Aid, 2011b: 22). While donors and the government of Malawi are in favour of aid provided for budget support, it is important to note that this modality is provided if certain conditions are adhered to by Malawi.

Tandon (2008: 113) has alluded to the fact that a state's dependence on predictable foreign funding to plan its budget is an unwise decision. If the national budget is constraint, the promise of predictable amounts of aid, in the form of budget support is quite lucrative. However, there is no way of guaranteeing that donors may honour commitments when changing governments. Another argument put forth by Tandon, is that as long as aid continues to be an instrument in persuading states to conform to the preferences of donors (human rights, good governance and respect for democratic principles), it reinforces recolonization and by adhering to conditions, the recipient reinforces recolonization. This process leads to a cycle of dependency in which the processes include the promise of long term predictable funding, followed by conditionalities that pertain to macroeconomic planning and good governance and threats to withdraw aid if the performance of the recipient falls short of donor requirements (ibid).

Although the government adopted a Public Financial and Economic Management Action Plan and initiated an Integrated Financial Management Information System (IFMIS), in 2006, the 2008 Paris Declaration Monitoring Survey highlighted that an improvement was still lacking and recommended a follow up of audits and an improvement in the quality and submission of financial reporting (UN, 2010: 76). The slow implementation of public sector reforms was an impediment to the alignment of government procedures and systems and this was attributed to the lack of technical capacity. Thus consequently, donors would often be adamant about conditionalities that were incompatible with national procedures, this undermined policy alignment to government systems (AFRODAD, 2007: 27). It has been said that aid should be implemented in a manner that guarantees that it has an impact on those it is intended to help, thus this entails scrutinizing targets and results. Thus in order to prevent

states from being responsible to their donors than their own people, implementing joint accountability systems is necessary.

The Paris Declaration principle has emphasised an improvement in decision making for results and that donors should support the initiatives made by recipients in improving performance assessment that measures progress (AFRODAD, 2007: 27). Another principle states that donors and recipients should hold each other mutually responsible for development result (ibid). Thus in the case of Malawi, the Development Assistance Strategy (DAS) stipulated that effective monitoring systems for the MGDS be implemented; it also stipulated that monitoring indicators and management information system for monitoring inputs and outputs would be implemented (AFRODAD, 2007: 27). However, in 2006, it was acknowledged that indicators were not finalised and neither was a management information system put in place. One of the impediments towards realising the principle of results orientation was the lack of sound analysis of target setting; there were also staffing shortages within the Ministry of Economic Planning and Development, which made it difficult to attain target results due to lack of effective monitoring and dissemination of information (ibid). The implementation of the Paris Declaration was difficult to initiate in practice as it placed an administrative burden on both the recipient and donor, thus as the resources increased, there was a strain on human resource. The need to increase human resource is one of the issues that plagued the government of Malawi. Thus, the ability to realise mutual accountability was hampered by a capacity constraint.

However, another aspect that was highlighted is that within the area of mutual accountability, there has been a power imbalance between the donors and recipients (JIMAT Development Consultants, 2010: 42). The donors have had the power because they provide and control the resources. Thus accountability conditions had been imposed by reducing aid commitments and delaying disbursal funds. The government of Malawi also does not have practical enforcement mechanisms to make donors accountable. The donor country offices have often prioritised accountability to stakeholders in their country over that of the government of Malawi (ibid). It is inevitable that aid relations remained tenuous, particularly when the government of Malawi has prioritised the domestic concerns over the conditions of donors. Thus, in essence mutual accountability is limited and therefore reinforces dependency on external political processes and institutions (ibid). It is worth noting reiterating the fact that the government of Malawi prefers budget support, however it has been noted that this may crowd out other beneficial modalities and it may also impede innovative approaches. It also

may promote dependency, and the case of Malawi dependency is evident (ibid). It is also apparent that implementing good policies under the MGDS was a struggle for the Malawian government as it lacked the capacity to do so.

5.5. Changes in the Donor-Recipient Relationship:

The president changed his style of governance after his party the DPP, won a landslide victory. His behaviour and that of government was unpredictable: he demoted Gondwe to another ministry and replaced him with someone who was more compliant (Cammack and Kelsall, 2010: 34). Because the DPP had the majority in the National Assembly, various bills were pushed through, and some increased the power of the executive. In late 2009, the EU gave a regular instalment of aid to Malawi, instead of using the money for national development projects, the government opted to use 8 million pounds of the funds to buy a jet for the personal use of the president. Thus the DFID responded by withholding 3 million pounds of its annual package. While only a small amount of the 90 million pounds had been withheld, it was a warning against the mismanagement of funds (Wroe, 2012: 136).

After Malawi had completed its third PRGF between 2005 and 2008, it achieved a degree of economic stability. Mutharika had promised to increase farm subsidies under his Farm Input Subsidy Programme. Under the programme, the government gave vouchers to smallholders to purchase a small amount of seed and fertilizer to improve soil conditions and to take advantage of improved seed varieties to mitigate the issue of food security on their farms (Tafirenyika, 2012: 1). By 2005, Malawi harvested a grain surplus of half a million tonnes. Mutharika relied on the political support of the masses and political support was determined by the success of his poverty-oriented agricultural strategy (Cammack and Kelsall, 2010: 35). However, improvements were disrupted by the global recession (Deraniyagaia and Kaluwa, 2011: 16).

In 2009, Malawi benefitted from the Exogenous Shocks Facility (ESF), as it was initiated for LICs that were under the PRGF programme within the IMF. In a letter of intent to the IMF board, Malawi had requested the ESF to deal with severe terms of trade shocks that the country had had to contend with due to the increased costs of fertilizers for its agriculture subsidies and fuel (Action Aid, 2011b: 26). The letter stipulated Malawi's commitment to providing a consistent and coherent policy framework that would underpin its development objectives to respond to the terms of trade shock; and to focus upon enhancing the sustainability of growth and development through policies that ensure economic stability and

reinforce resistance to shocks. This would be achieved through improving public finance management, support for private sector led growth and rebuilding international reserves. Thus, for the government of Malawi an agreement from the IMF to support Malawi with ESF would provide Malawi with much needed financial assistance but it would also show donors that Malawi was committed to maintaining macroeconomic stability, as it had under the PRGF. Under the agreement, Malawi promised to adhere to the 2008/2009 Budget, which meant controlling public expenditure and avoid domestic borrowing. It also promised to pursue a policy that would keep inflation moderate and liberalise exchange rates of the MK to the dollar (ibid: 27). In the period that the ESF was implemented, initial disbursement helped Malawi to deal with the impact of shocks from high international fuel and food prices; it also encouraged donor support. In its pursuit of subsidies, Mutharika defied donor critics who had alleged that the FISP was impaired by corruption, it undermined the principles of free markets and it was unsustainable. In 2009, the government spent 16 percent of its budget on subsidies (Tafirenyika, 2012: 1). However, in the first half of 2009, public spending resulted in higher domestic borrowing and lower reserves accumulation thus Malawi did not adhere to terms that were agreed upon. Consequently, the programme was cancelled and a balance of $25.1 million was suspended (ibid). After the cancellation of the ESF, the Extended Credit Facility (ECF) was requested by Malawi and the IMF approved it in 2010.

Thus, for over a period of three years, from 2009-2012, $79.4 million would be given. The ECF was another PRGF; however, the IMF stated that it entailed less conditionalities (ibid). The ECF was intended to facilitate the IMF's consent to Malawi's development partners to resume financial support to Malawi (ibid: 28). It was acknowledged by the IMF that Malawi's economy was vulnerable as its exporting base was limited in very few areas and its main export sector, agriculture, was vulnerable to climate change. It was also noted that Malawi is vulnerable to external shocks; an increase in fuel prices would have negative consequences due to low international reserves. The IMF was also concerned with the fact that Malawi was not moving fast enough with policy reforms to deal with the challenges that it faced and find long-term solutions to external support. Thus within this context it can be argued that Malawi's lack of urgency in implementing policies and finding long term solutions can either be attributed to contentment with the situation of being dependent on the IMF or as Collins (2011:11) noted a way of rejection through a delay in policy implementation.

Under the terms of the IMF ECF, Malawi was required to liberalize the foreign exchange regime as well as depreciate the local currency. It was also required to adhere to prudent fiscal and monetary policies, that were reflected in the 2009/2010 budget and to facilitate space in the budget for pro poor and social spending in accordance to the MGDS; and to protect the poor households by improving the structure of the social safety net (ibid: 29).

In its first review, Malawi did show an impressive adherence to the conditions set in the EFC but the state was plagued by various problems: in 2010, it faced a foreign exchange crisis and an increase in fuel meant that provisions of commodities such as oil was not guaranteed. When there was an increase in fuel prices, it made it difficult for Malawians to access basic goods; it was noted by Action Aid (2011b: 30) that the cost of living increased as local transport costs increased.

Under the second review, in March 2011, it was observed that several targets had been missed, as the government had failed to deal with the issue of the depreciating Kwacha. Malawi had been required to adhere to the terms of agreement under the ECF programme in order to fix the macroeconomic conditions that made it difficult to meet its import needs as well as fix its balance of payments. Though the government had agreed to commit itself to stipulations by the IMF, it was difficult for Malawi to adopt a liberalized and flexible exchange regime. President Mutharika consistently refused to devalue the currency. Nevertheless, the government did ultimately consent to 10 percent devaluation in August 2011. Although the IMF pressured the government to devalue the Kwacha in order to promote investment and trade, the government did the unexpected and chose not to adhere to the advice: it intended to revalue and appreciate the Kwacha to MK140/MK142 when it was at MK152 to the $ (ibid: 32). Thus, Malawi was choosing to deliberately break the terms of the ECF, despite the repercussions.

The Malawian government argued that devaluing the kwacha would be detrimental to the poor. The government believed that its devaluation would lead to higher costs in imported fuel and related inputs, which would lead to inflationary trends. Higher costs in fertilizer would be a threat for smallholder farmers who could benefit from the input subsidy (Resnick, 2012: 19; Wroe, 2012: 138; Action Aid, 2011b: 32). Mutharika also encouraged the RBM to liberalise the economy despite the fact that the IMF was displeased about the Reserve Bank of Malawi meddling in forex issues. This responsibility was left to the commercial banks under the conditions stipulated by the ECF (ibid). Mutharika stated that the task of protecting

the poor lay with the RBM and the country's economists and not the IMF. However, Action Aid (2011b: 33) has argued that the government's stance on foreign exchange was based on political motives and not economic. The money that the government wanted to protect to address the needs of the poor was not reaching them as most of the money was used to repay recurring costs and without fuel, many services such as transporting medicine to those in rural areas could not be done. It has been argued that by delaying devaluation, devaluation will inevitably be deeper. Thus, this would support the IMF's advice, that devaluation is the only manner in which forex shortages can be resolved (ibid: 34). Devaluation according to the IMF would improve tobacco exports and therefore provide more foreign exchange for fuel purchase, which was scarce in Malawi.

Because Malawi did not heed advice and in response to the resistance of devaluing the exchange rate in 2011, the CABS group along with the IMF stated that they would suspend aid. Under the CABS arrangement, Malawi was required to have a programme with the IMF, so that financial aid could be disbursed to the government. Thus, the IMF had the bargaining power over Malawi, as aid flows were conditioned to agreements under the ECF. The government violated terms stipulated in the IMF Extended Credit Facility, which required Malawi to devalue its exchange rate in order to ease the state's shortage of exchange rate (Resnick, 2012: 19; Wroe, 2012: 138). It must be noted that donors who are in favour of giving budget support, have required adherence to certain conditionality: namely, macroeconomic stability, adherence to minimum standards of government budgeting and accounting; commitment by government to poverty reduction and respect for good governance (Dijkstra, 2010: 15). Because an agreement with the IMF is a condition for all budget support, the members of CABS were required to stop delivering aid. Thus, it can be said that despite the fact that donors had the resources, this did not guarantee adherence to policies that the IMF believed were necessary for macroeconomic stability.

The government of Malawi reacted by declaring a zero deficit within the budget. The budget stipulated how Malawi could pay its recurrent expenditure without assistance from donors. The Finance Minister, Ken Kandodo stipulated the manner in which value added taxes as well as business taxes would support such initiatives. He did also acknowledge that Malawi still required aid (Wroe, 2012: 139). Thus, a positive sign to CABS donors was required, as Malawi did not have an economic programme with the IMF. Malawi also lacked bargaining power, as long as the IMF could refuse to approve the proposed budget of Malawi, CABS donors would not support Malawi's Budget and this would have an impact on government

planning (Action Aid, 2011b: 44). Thus, another response to a cut in aid, led the government to borrow money from domestic banks to mitigate its budget demands, this in turn increased domestic debt. Therefore, Malawi highlights the fact that the preferences of the IMF did not correspond with those of the Malawian government. Thus, the departure of preferences led to the non-compliance of government and consequently the citizens suffered.

5.6. Internal Criticism

Civil society organizations became critical of the manner in which the government managed the economy and political changes (Wroe, 2012: 138). Under the second term, Mutharika had taken a more decisive role in setting economic policy; it was to the detriment of the economy. Mutharika also bought the support of individuals by appointing them as cabinet ministers and advisors as a way of guaranteeing DPP constituency nominations. As Mutharika's cabinet continued to grow, it led to larger expenses and salaries, despite the constitutional restrictions of the Assembly to recruiting new members to the DPP (Wroe, 2012: 137; Cammack and Kelsall, 2010: 37). Thus, power was centralised in the executive and the DPP; initially parliamentary committees were lauded for their independence, however under the second term of Mutharika, ruling party MPs led them. Mutharika targeted various individuals including his Vice President, Joyce Banda by expelling her from the DPP. Despite the numerous legal challenges Banda was subjected to by the DPP, she remained Vice President, as the courts upheld constitutional law, which prevented the president from removing her unilaterally. She established her own political party, the People's Party and continued to be vocal critic of the president (Wroe, 2012: 138). The Minister of Information was also allowed to ban any publication that was deemed critical of the government under the guise of safeguarding the interests of the public. This legislation, according to Resnick (2012: 16) negated the purpose of free media, as it countered section 36 of the 1994 constitution.

On July 2011, there were protests in Lilongwe and Blantyre led by 80 civil society organizations, protesting economic and political grievances: the protestors, known as the "Concerned Citizens", listed various concerns which included the President's personal spending, taxes proposed in the budget, the composition of cabinet and the government's defiant stance with donors (Resnick, 2012: 21; Wroe, 2012: 140). Initially these protests were peaceful, however they escalated into violence; 19 people were killed and 500 arrested. The international response was instant; donors who had considered resuming aid to Malawi stated that they would withhold aid indefinitely: the US decided to withhold a £ 213 million

aid package because of the violence used to quell protests. Thus, the government lost its biggest donors, namely the DFID, the EU and the US.

It can be argued that Malawi may have had the leverage to ignore the conditions stipulated by its donors because China was providing 45 million dollars in grants. In mid 2011, China had promised to increase aid to Malawi; Iran and other Arab donors had agreed to cooperate with Malawi, while India had offered Malawi a credit line of US$ 180 million for cooperation in agricultural development and pharmaceuticals to combat HIV/AIDS (Resnick, 2012: 20). Despite the uranium production in 2009, Malawi had to contend with the fact that at world prices uranium was extremely volatile; and the aid from non-traditional donors, particularly in social sectors such as education, health and agriculture could not account for the aid provided by Malawi's traditional bilateral and multilateral donors (ibid). The aid that China offered was in the form of grants for targeted projects or in the form of concessional loans, therefore Malawi required general budget support to achieve poverty reduction objectives, which was not provided by non-traditional donors (Resnick, 2012: 21). Thus, Malawi remained in a weaker position to CABS donors, as they had used the ECF programme as a significant reason to withhold aid as well as standards of good governance and human rights. Actions such as these had an impact on the poor, as the state could not meet its obligation in providing services. Even though the IMF and donors may have thought that withholding aid would punish government, this was not the case. The poor suffered because of the measures implemented by the IMF and donors and not the government. This is something that donors need to address. The actor-based approach propagated by Whitfield and her colleagues reiterates the fact that there are structural conditions that limit Malawi's negotiating capital. The extent to which the state is dependent on aid plays a significant role in negotiating capital.

Since President Joyce Banda came into power in April 2012, after the death of her predecessor Bingu wa Mutharika, international and local observers have lauded her attempts to "mend fences", after the mess her predecessor left her in. However, her popularity has eroded domestically, as the cost of living has increased. In January 2013, marchers, mostly young took to the streets in Blantyre protesting. The youngsters have criticised Banda for not being assertive in dealing with the economic woes of the country (Phiri, 2013). She has taken measures to devalue the currency on the advice of the IMF and this has led to what Mutharika had argued would happen: prices have increased since she devalued the kwacha. Phiri (2013) has stated that the economic reforms she has implemented could have dire consequences,

with many of her party members separating themselves from her. Thus, President Banda has a long road ahead of her and she is in a great predicament. While she is required to adhere to reforms supported by the IMF, she still has to consider the concerns of her people.

The following section will provide concluding remarks about the issue of aid dependency within the states Botswana and Malawi. It will also outline the political and economic conditions that have reinforced or decreased aid dependency in the respective states. The paper will also conclude by offering recommendations and discussions on issues that require future research.

CHAPTER 6: CONCLUSION AND RECOMMENDATIONS

While there have been calls for improvements in the quality of aid, there have also been calls to eradicate it completely. Donors have often linked the calls for more aid or better quality aid to the framework of good governance and market fundamentalism. For states that are dependent on aid, adherence to donor preferences has been the only way to retain flows of aid. Aid dependency is apparent in the manner in which states cannot do without aid in their recurrent budget. Tandon (2008) stated that aid dependency is reinforced by the need to seek aid for balancing the budget and restoring the balance of payments. A lack of financial and physical resources contributed towards Malawi's dependency on foreign aid. Seers (1981) raised a very important aspect that was perhaps overlooked by dependency writers. Having few natural resources (perhaps even the inability to diversify the economy), a state's physical location, the state's culturally corrupt bureaucracy and the size of the state's population, can be a liability as hinders the ability for the government to manoeuvre. Malawi has had very little room to manoeuvre in its relationship with donors; while Botswana has exhibited that it can do without aid and has retained strong ownership in its development strategies.

The costs associated with aid dependence include a loss of sovereignty and weakened ownership. Despite the fact that the current aid discourse places emphasis on ownership, it is apparent that in practice it is difficult for aid dependent states to assert their development strategies when threatened with a reduction or halt of aid resources. Aid donors have stated a need for harmonization and aid coherence of budget with donors (Tandon, 2008: 40). However, this can lead to donors pressurizing recipients to comply with stipulations presented by donors. Thus, the case study of Malawi shows that the aid system is riddled with contradictions. The idea of ownership is understood from the perspective of donors and recipients have had to adhere to what donors prescribe or condition. The idea that recipient states should be in the "driver's seat" when it comes to the design and implementation of development policies is often undermined when the IMF has the right to veto the policies that do not adhere to its requirements. Thus, in order to attain aid, the IMF needs to 'bless' the policies of recipients. Aid dependency is a phenomenon that has beleaguered various recipients of aid; however, some have managed to "graduate" from dependency. The circumstances that various states are in, cannot solely be attributed to donors but also internal and external economic and political circumstances, that have either reduced or increased reliance on aid. Botswana and Malawi are examples of two states, which were initially

dependent on aid at independence. Botswana managed to graduate from dependence on aid, however, Malawi remains perhaps more dependent on aid.

The effectiveness of aid can be attributed to states having the space to articulate their development strategies without influence from donors. Donors are supposed to be less intrusive. Botswana has displayed a great degree of autonomy in its relationship with donors. It has linked the management of aid to its planning and budget procedures and therefore donors have funded projects that are outlined by the government's national development plan. The government was also able to reject aid that did not coincide with its national priorities, an issue that has plagued various African states. Negotiating with donors individually allowed Botswana to have bargaining power, as collective donor stances on policies or aid conditions has reduced the autonomy of many states. Thus, Botswana's success in negotiating aid with donors can also be attributed to the fact that it was an attractive recipient. It used aid purposefully to develop social and physical infrastructure as well as expand its economy. Leaders used the resources that they had for developing state capacity and made sure that resources that were obtained from mineral deposits were not used for political gain. Therefore, in its relationship with donors, Botswana has made sure that donors support their initiatives and are less intrusive.

Aid dependent states such as Malawi are unable to promote their national development strategies due to the following aspects:

Aid initially did not serve as a tool of control in Malawi, Britain could have exercised its power by exercising control over items of expenditure or by ensuring that domestic resources were not diverted from approved revenue spending, however it opted not to use such leverage. Both Britain and Malawi sought to end budgetary support, as it was believed that budgetary aid dependence was undesirable. Malawi also had to consider the aspect of the costs associated with termination in aid and therefore without aid it would have been economically and politically unstable. In the hopes of attracting aid, it had to show commitment to development through taxation, encouraging domestic savings and investment but also ensuring administrative efficiency and absence of corruption. While Botswana sought to reduce its dependency on foreign aid, Malawi in its 1965-9 Development Plan, the government acknowledged that external capital was essential in financing economic development. When assessing internal factors that have reinforced dependency within Malawi, one may look to the fact that Malawi at independence, lack of available resources

reinforced Malawi's need to solicit aid to balance its budget and restore balance of payment issues. Dependence as Dudley Seers noted, cannot be analysed without considering the prospect of how natural resources can be a determinant of a governments bargaining power. A lack of natural resources can perpetuate dependency but it does not explain how other states have diversified their economies and have reduced dependency. In Malawi, budget support was also supposed to strengthen the capacity of government, guarantee predictability in funds, promote local ownership and balance macroeconomic stability, but this has not occurred. Under Mutharika, internal governance and unnecessary expenditures had led to a decrease in donor support. Therefore, budgetary support was not predictable and the government could not plan for its development strategies without aid. Without aid, it seems that Malawi is vulnerable.

Within Malawi, its ability to articulate its development strategy was often hindered; under leaders such as Muluzi and Mutharika, resorting to rent seeking behaviour and redistributing income through bureaucratic employment, was more important than planning for the future of the state. Thus, such measures allowed them to stay in power without traditional channels of accountability, even parliament (Mills, 2010: 231). It is also significant to take into consideration the fact that throughout the leadership of Banda, Muluzi and Mutharika, Malawi has also been characterised by strong Presidencies and weak parliamentary systems. Presidentialism within Malawi has given a lot of formal and informal power to all three presidents (Bräutigam and Botchwey, 1999: 22). Bräutigam and Botchwey (1999) have stated that despite the requirements stipulated by donors that parliaments should approve projects and budgets; in Malawi's case parliament donor funding was bypassed under Mutharika. Despite the fact that parliaments were supposed to approve budgets and projects, donor funding evaded parliament's scrutiny (ibid).

Seers (1981) stated that while recipient states may choose to externalise blame for internal woes, there is a need to look at the role of political leadership. Seers has acknowledged that leaders often have limited terms of power, therefore they often have to circumvent the political and economic conditions they come into once they are in power. Tandon (2008) has stated that a lack of development vision often reinforces dependency, whereby donors take on the responsibility of the government. A factor that reinforced aid dependence in Malawi was a lack of development vision among leaders; Muluzi did not have a developmental vision as he lacked expertise and due to political and economic pressures, he sought to maintain political support through patronage. Muluzi's need to maintain political support meant that he

sought to maintain political support through patronage. Muluzi was considered perhaps the biggest consumer of rents and therefore he did not seek to strengthen policy implementation. Mutharika on the other hand, had the vision for national development; however, after his second term, he made various erratic political and economic decisions that were to the detriment of Malawians and Malawi was more susceptible to IMF influence. Mutharika relied on the political support of the masses and political support was determined by the success of his poverty-oriented agricultural strategy. However, by his second term, the economy encountered various challenges. The fuel shortages, shortages in foreign exchange, high budget expenditures and Mutharika's decision to ignore the IMF led to a decrease in foreign aid, which had an impact on the mass. Thus, Malawi has exhibited the features of a state that has had difficulty in formulating and producing policy content due to capacity constraints as well as internal and external economic and political conditions.

It is evident that within Malawi, development assistance played a significant role in preventing infringement on civil liberties. Aid was also used to bring about democratization as Banda became more dictatorial and prior to the democratic transition, donors limited aid; however after Muluzi had been elected, there was an increase in aid. It is noteworthy that the donors continued to use aid to condition the political and economic events in Malawi. For many donors leverage has often been used against government in response to deviations on the IMF agreements or evidence of corruption (Resnick, 2012:24). While Malawi may be regarded as an aid dependent state, there are political and economic conditions that have reinforced dependency. Malawi does have few donors however given that aspect, the government has lacked budget discipline and has at times defaulted on its macroeconomic reforms and donors have withheld aid consequently. Bräutigam and Botchwey, (1998) explain that aid dependency can exacerbate problems associated with public spending and that expectations of aid may induce weaker fiscal disciplines within recipient states. It was noted earlier that Malawi's dependence on project support from donors had a negative impact, as Malawi received less aid than was committed by development partners and it limited the government's ability to prepare and execute its development plans.

Adjustment measures by the IMF have hindered Malawi's ability to articulate and implement its development strategies. During the 1980s under structural adjustment programmes, Malawi did not have the space and power to articulate locally developed solutions but aid was provided to Malawi in return for adherence to the policy reform package in order to deal with the macroeconomic instability the state faced. However, during this period it was

evident that structural economic conditions reduced the government's ability to assert autonomy; it was also evident that the government was not accountable to its constituencies as it faced pressure from the IMF for economic structural reform and therefore it could not provide public services adequately.

The ESF, ECF and PRGF reduced the bargaining power of Malawi, but Mutharika showed a slight degree of ownership by delaying implementation and refusing to devalue its currency despite the threat of a cut in aid. Therefore, in Malawi's case despite the fact that donors had the resources, the IMF could not guarantee that Malawi would comply with the ECF and ESF. However, such actions on the part of government, perpetuated economic woes, as it had to borrow from domestic banks and had to make up for lost revenue from a halt in budget support from the CABS group, the government introduced new tax measures on products such as salt and meat. Taxes on education and educational institutions would hinder access to education, as education materials would be expensive (Action Aid, 2011b: 46). Thus, it is evident that initiatives to raise taxes would undermine the objectives of the MDGS and MDGs, as one of the objectives is to provide free education for all (ibid). It can be said that Mutharika made bad decisions in which the cost of a halt in aid outweighed the benefits of a cut in aid. It can be said that Malawi's political and economic conditions placed a limit upon Malawi's ability to negotiate with the IMF and receive aid from CABS donors.

Another factor that distinguishes Botswana and Malawi is at independence, lack of financial and natural resources reinforced Malawi's need rely on aid to balance its budget. However as mentioned within the paper Malawi was not solely dependent on aid under Banda, it was not lax in its initiatives to generate domestic revenue for development. An increase in domestic savings proved that the notion that aid in supplementing domestic resources, acts a substitute for and not an addition to domestic savings, was not true within the case of Malawi. The government made initiatives to curb its consumption spending and to mobilise resources through taxation. Malawi has also had to contend with fiscal discipline, an issue that has been prominent throughout Malawi's and donor relations. Botswana after independence sought to be self-reliant and reduce its dependency on aid and therefore once mineral deposits were found, it was able to use the aid that it received to build infrastructure necessary for mining minerals. Botswana was attractive to donors because even though it was initially poor, there was very little risk on a default of loans and there was an expectation of prosperity as it was sitting on large mineral deposits. Botswana was also attractive politically to donors because it

was one of the few multiparty parliamentary democracies. Malawi had to prove itself to donors.

Today, Malawi is just as vulnerable as it was at independence because it needs to increase its exports, as well as diversify to reduce its dependence on the tobacco industry. Tobacco may account for 60 percent of its exports but a decrease in demand for tobacco has made the economy vulnerable. Malawi still has to contend with the fact that there are barriers to growth, which include access to finance and high cost agricultural value chains (DFID, 2012: 2). Malawi also needs to maintain a stable official exchange rate and its agriculture sector is susceptible to exogenous shocks. In Botswana, aid levels have decreased as donors feel that Botswana will be able to do without aid. It was noted that Botswana was endowed in resource minerals namely diamonds and that contributed towards Botswana's ability to reduce dependency on aid, as aid was used to supplement local savings rather than a substitute.

Malawi's case study shows that aid dependency cannot be attributed to high levels of aid received over a long period but also the need for reform in political conditions. It has been characterised by a patronage system and lack of strong leadership and therefore this has had an impact on articulation of development strategies. Aid was provided to Botswana under a strong degree of ownership. Even though it lacked the institutional capacity, it made sure that it established important government institutions for resource management and it made sure that it was insulated from political pressures, unlike Malawi. The government took various measures after independence to make sure that the economy would be viable and that Botswana would become self-reliant. With good leadership and good policies, Botswana made sure that high levels of aid would be utilized for promoting a national development strategy. The NDP and its incorporation with the annual budgetary process has aided Botswana in the management of resource rent and foreign aid. Botswana has also made sure that aid was integrated into its national budget and planning process, it has rejected aid that did not meet its priorities and has required that donor activities be tailored to the government's way of operating (ibid). Thus despite having the MDGS, it seems that Malawi still faces many constraints that may not enable it to say no to donors. Therefore, the government has ensured ownership in its engagement with donors.

Botswana has exerted authority in its relations with donors. Botswana has managed to assert a degree of autonomy as it requires donor projects to fit in with the national priorities of the state. While both states have indicated their development aspirations for the future, it is clear

that they both remain vulnerable due to a lack in technical capacity. Lack of technical capacity has also been a contribution towards the slow implementation of public sector reforms. Thus dependence on foreign expertise has in this case exacerbated and can have an impact upon sustainability of programmes. Thus as a means of making sure that states such as Malawi do not remain dependent on aid it is crucial that donors not impose policies but rather give them the policy space and allow them to develop locally developed solutions. Moreover, if these states lack the capacity to do so, they should provide ways of ensuring that institutions are enhanced.

While many have stated that Botswana's ability to integrate aid into its development plans enabled it to be a successful "graduate" from aid dependency. Several countries have attempted to replicate the same measures but did not attain the same results (Rakner, 1996: 43). This perhaps shows that the structures that Botswana had in place were not efficient but what may be necessary is an environment where there is political, economic and institutional capacity as well as stability so that the management of aid may be effective. Another feature that separates Botswana from other aid dependent sub Saharan states is perhaps the fact that aid dominates the macroeconomic policies of aid dependent states. Within Botswana, aid contributes to its macroeconomic policies (ibid). However, what is evident is that both states lack the ability to diversify the agricultural sector (Malawi) and the mining economy (Botswana). While Botswana is not as vulnerable to exogenous shocks as Malawi is, it is evident that there is a need to move away from depending on their respective sectors for economic growth. Both states received technical assistance from donors at independence, but continued reliance on technical assistance deserves future investigations. Botswana has also had to contend with the HIV/AIDS pandemic, which has highlighted its vulnerability as it is undermining future development and growth. High costs associated with reliance on foreign technical assistance to mitigate the issue of low human capital, is becoming a burden on the state. Therefore, there needs to be an investigation of the relationship that Botswana has with donors who provide technical assistance and the long-term implications of heavy reliance on them.

While the literature has emphasised the fact that unemployment and poverty are high in both states, it prompts the question of how these issues can be resolved. At present, many have questioned the sustainability of Botswana's development model because of the fact that revenues are coming from profits and not taxes. There is a need for privatization and economic diversification so that the challenges of not attaining broad based growth can be

remedied. Therefore, beneficiation of diamonds is long standing objective of the government and therefore it mitigates the issue of unemployment and high levels of poverty through employment opportunities and income generation for the people of Botswana (Grynberg, 2012: 1). However, diamond companies such as De Beers and BHP-Billiton believe it is not profitable and have left the cutting and polishing to competitive firms in India, China and Thailand. This development objective deserves future analysis as it may perhaps establish Botswana as a competitor against India, China and Thailand however its profitability remains in question.

At present, it can be said that aid is not the panacea to Malawi's problems. Its dependency on aid is deeply rooted in its lack of resources: it does not have substantial minerals like Botswana and a dependency on an agro-based economy and an inability to diversify into other sectors, has hampered its ability to promote sufficient broad based growth. Another factor is that non-financial issues have had an impact upon Malawi's relationship with donors: issues of observation of human rights, corruption and good governance. Thus, these features are not conducive to development initiatives. After the death of Mutharika, it is evident that Malawi is mending its relations with its traditional donors, however its dependency on donor support remains a prevalent issue and it is a wonder if Malawi will either reduce its dependence on aid and become self sufficient.

This paper has illustrated the conditions under which aid can be more effective. This paper has showed that aid is effective under conditions whereby the state has full ownership of its development strategies. The overview of Botswana, Malawi and their donors presented within this paper, has highlighted the issue of dependency and ownership with aid relations. Malawi is a state that has had to contend with the issue of having its sovereignty undermined at different times in its relationship with donors; because of its internal political and economic instabilities, donors have refused to be flexible in delivering aid in the form of budget support. Thus, Malawi as a case study has outlined the complexities that exist in maintaining ownership while being aid dependent. However, Botswana has shown that aid can be effective in an environment that is stable politically and economically. It has also shown that it is possible to overcome dependency, by strengthening its policies and institutions. Botswana from independence sought to remain autonomous and it has achieved this, by reinforcing its independence in its relationship with donors.

REFERENCES

Action Aid. (2011a) *Real Aid: Ending Aid Dependency*, UK: Action Aid. Available at: www.actionaid.org.

Action Aid International in Malawi and Malawi Economic Justice Network, (2011b) *Analysis of the IMF Crises Solution: The Case of the Exogenous Shocks Facility and the Extended Credit Facility to Malawi and their effects on the poor in Malawi.* Lilongwe: Action Aid. Available at: http://www.actionaid.org/publications/case-exogenous-shocks-facility-and-extended-credit-facility-malawi-and-their-effects-poor-in-malawi.

Action Aid (2011c) *Is the implementation of the Aid Effectiveness agenda reducing aid dependency? An Action Aid International Report on Paris Declaration Implementation: A Cross Country Comparison*, UK: Action Aid.

Action for Southern Africa. (2013). 'Malawi Country Profile'. Available at: http://www.actsa.org/page-1481-Malawi_Country_Profile.html.

African Development Bank. (2009). *Botswana 2009-2013 Country Strategy Paper*. Available at: http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/BOTSWANA_2009%20%E2%80%93%202013%20COUNTRY%20STRATEGY%20PAPER.pdf.

African Development Fund. (2009). Programme*: Poverty Reduction Support Grant Country Malawi*. Available at: http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/AR%20Mala1%20En.pdf

AFRODAD. (2007) *A Critical Assessment Of Aid Management & Donor Harmonisation. The Case of Malawi*. Harare: AFRODAD. Available at: http://www.afrodad.org/downloads/publications/Aid%20Mgmt%20Malawi%20Final.pdf.

Aid Watch (n.d.) A brief history of aid, viewed 15 January 2013, http://aidwatch.org.au/where-is-your-aid-money-going/what-is-aid/a-brief-history-of-aid.

OECD, (2012). African Economic Outlook. *Botswana 2012*. Immeuble Seine Saint-Germain: OECD Development Centre. Available at: http://www.africaneconomicoutlook.org/en/countries/southern-africa/botswana/.

Anders, G. (2002). "Freedom and Insecurity: Civil Servants between Support Networks, the Free Market and the Civil Service Reform" in Harri Englund (ed.) *A Democracy of Chameleons: Politics and Culture in the New Malawi.* Uppsala: Nordic African Institute, pp. 43-61.

Anders, G. (2010). In the Shadow of Good Governance: An Ethnography of Civil Service Reform in Africa, Leiden: Brill.

Anders, G. (2006). "Like Chameleons: Civil Servants and Corruption in Malawi', Like chameleons: civil servants and corruption in Malawi", *Journal of Law and Social Research*, 2(1).

Barrett, R. E. and Whyte, M.K. (1984). "What is Dependency?: Reply to Hammer." *The American Journal of Sociology* 89: 937-940.

Bergamschi, I., de Renzio, P. and Whitfield, L. (2008). "Reforming Foreign Aid Practices: What country ownership is and what donors can do to support it", in Whitfield, L. (ed.) *The Politics of Aid. African Strategies for Dealing with Donors*, Oxford: Oxford University Press.

Bertelsmann Stiftung, B.T.I. (2012a). *BTI 2012- Botswana Country Report*, Gütersloh: Bertelsmann Stiftung.

Bertelsmann Stiftung,B.T.I. (2012b). *BTI 2012- Malawi Country Report*, Gütersloh: Bertelsmann Stiftung.

Blomström, M & Hettne, B (1984). *Development Theory in Transition, The Dependency Debate and Beyond* (London: Zed).

Booth, D. (ed.) (2003). *Fighting Poverty in Africa: Are PRSPs Making a Difference*? London: Overseas Development Institute.

Booth, D., Cammack, D., Harrigan, J., Kanyongolo, E., Mataure, M., and Ngwira, N. (2006). Drivers *of Change and Development in Malawi*, London: Overseas Development Institute, Working Paper 261. Available at: www.odi.org.uk/resources/docs/1957.pdf.

Bräutigam, D. (2000). *Aid Dependence and Governance*. , Stockholm: Almqvist & Wiksell.

Bräutigam, D. (1996). "State Capacity and Effective Governance", in B. Ndulu and N. van de Walle, (eds.), *Agenda for Africa's Economic Renewal*, Washington, D.C.: Overseas Development Council.

Brautigam, D. and Botchwey, K. (1998). "The Institutional Impact of Aid Dependence on Recipients in Africa." Unpublished manuscript, American University School of International Service. Available at: www.sti.ch/fileadmin/user_upload/Pdfs/swap/swap404.pdf.

Brautigam, D. and Knack, S. (2004). "Foreign aid, institutions and governance in sub-Saharan Africa", *Economic Development and Cultural Change*, 52(2),pp. 255-286.

Burnside, C. and Dollar, D. (1998). "Aid, the Incentive Regime, and Poverty Reduction", World Bank Policy Research Paper No. 1937, Washington, DC: World Bank Development Research Group.

Campbell, K., Kereng, P., Malmborg, J., Medina, M., Mosowe, V., Révellion, M. and Singleton, G. (2012). *Evaluation of Health Sector Support to Botswana*, Norway: Norwegian Agency for Development Cooperation. Available at: www.oecd.org/derec/norway/49712266.pdf.

Cammack, D. (2004). *Poorly Performing Countries: Malawi, 1980-2002*, Background Paper 3 for ODI Study on Poor Performing Countries, London: Overseas Development Institute.

Cammack, D. and Kelsall, T. (2010). *Developmental patrimonialism? The case of Malawi*. London: Africa Power and Politics Programme, Overseas Development Institute. Working Paper No. 12 July 2010.

Carlsson, J., Somolekae, G. and van de Walle, N. (1997). *Foreign Aid in Africa. Learning from Country Experiences.* Nordic Institute for Africa Studies, Uppsala.

Cassen, R and Associates. (1986). *Does Aid Work? Report to an Intergovernmental Taskforce*, Oxford: Oxford University Press.

Castel-Branco, C.N. (2008). *Aid Dependency and Development: a Question of Ownership? A Critical View*. New York: New York University. Working Paper no. 01/2008.

Chirwa, E.W. (2005). "Macroeconomic Policies and Poverty Reduction in Malawi: Can we infer from Panel Data? " Working Paper No. 2005/06, Department of Economics, Chancellor College, University of Malawi.

Collins, L. (2011). 'Unpacking ownership at a joint sector review', Unpacking aid workshop, London School of Economics, June 2011.

Cooksey, B. (2004). *Elixir or poison chalice? The relevance of aid to East Africa* ***8****th ASEA CONFERENCE & NAIROBI STOCK EXCHANGE GOLDEN JUBILEE*, Nairobi, 23-26 November 2004. Available at http://www.africansea.org/(S(lgdqrhq1q44g3qa5g15ril55))/Events/Conferences/Speech%20by%20Brian%20Cooksey.pdf.

Department for International Development, (2012). Operational Plan 2011-2015 DFID Malawi, London: DFID. Available at: www.dfid.gov.uk/Documents/publications1/op/malawi-2011.pdf.

Dijkstra, G. (2010). *The New Aid Paradigm-a Case of Policy Incoherence.* The Netherlands: Erasmus University Rotterdam.

Easterly, W. (2001). *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*. Cambridge, MA: MIT Press.

Easterly, W. (2007). 'Was Development Assistance a Mistake?,' *American Economic Review*, American Economic Association, vol. 97(2), pp. 328-332, May.

European Community/Republic of Botswana. (2001). *Country Strategy Paper 2002-2007.* Available at: http://ec.europa.eu/development/icenter/repository/scanned_bw_csp10_en.pdf

Face of Malawi (2012). **'**IMF warns Malawi on donor aid dependency,' 30 July, p.1, viewed 15 February 2012, http://www.faceofmalawi.com/2012/07/imf-warns-malawi-on-donor-aid-dependency/.

Fagernäs, S. and Schurich, C. (2004). 'The Fiscal Effects of Aid in Malawi.' ESAU Working Paper 7. London, UK: Economics and Statistics Analysis Unit, UK: Overseas Development Institute.

Farrell, D. (2012). 'Malawi: Beyond Mutharika-Confronting the Nation's Aid dependency', All Africa, 28 August, p. 1, viewed 15 February 2013, http://allafrica.com/stories/201208310808.html.

Forum Syd (2006). Forum Syd HIV and AIDS Programme in Botswana Programme Document 2006-2009. Kenya: Forum Syd.

Frank, P. (2000) ***5 Botswana***. Available at: www.ic.keio.ac.jp/en/download/jjwbgsp/2000/2000_5Botswana.pdf.

Fraser, A. and Whitfield, L. (2008). '*The Politics of Aid: African Strategies for Dealing with Donors*' Global Economic Governance Programme Working Paper 2008/42, University College Oxford.

Fraser, A. and Whitfield, L. (2010). "Negotiating Aid: The Structural Conditions shaping the Negotiating strategies of African Governments", *International Negotiation,* 15 (2010), pp. 341-366.

Glennie, J. (2008). *The Trouble with Aid: Why less aid could mean more for Africa*, London: Zed Books Ltd.

Goldstein, J.S. and Pevehouse, J.C. (2009). *International Relations Brief Ninth Edition 2010-2011*. Boston: Pearson.

Grynberg, R. (2012). 'Botswana polishes its prospects', *Mail and Guardian*, 24 August, p.1, viewed 14 February 2013, http://mg.co.za/article/2012-08-24-botswana-polishes-its-prospects.

International Monetary Fund (2001). *Botswana: Selected Issues and Statistical Appendix*, IMF Country Report No. 02/243, Washington DC: International Monetary Fund.

International Monetary Fund (2012). *Botswana 2012 Article IV Consultation.* IMF Country Report No. 12/234, Washington DC: International Monetary Fund.

Jones, D. (1977). Aid and Development in Southern Africa, London: Croom Helm Ltd.

Kainja, J. (2013) 'Joyce Banda: IMF's good girl or victim of Malawi's Dependence?', *Africa on the Blog*, 15 January, p.1, viewed 15 February 2013, http://www.africaontheblog.com/joyce-banda-imfs-good-girl-or-a-victim-of-malawis-economic-dependence/.

JIMAT Development Consultants. (2010). A Country Evaluation of the Paris Declaration for Malawi Final Report. Government of the Republic of Malawi, Ministry of Finance. Lilongwe.

Kaluwa, B. and Deraniyagaia, S. (2011). *Macroeconomic policy for employment creation: The case of Malawi.* Employment Working Paper No. 3, Geneva: International Labour Office, Employment Sector.

Kanbur, R. (2000). "Aid Conditionality and Debt in Africa", in Tarp, F. (ed.) Foreign Aid and Development: Lessons Learnt and Directions for the Future, London: Routledge
Kerapeletswe, C., Isaksen, J., Slob, A. and Jerve, A.M. (2008) *Managing Aid Exit and Transformation: Botswana Malawi Country Case Study Joint Donor Evaluation*, Stockholm: SIDA. Available at: http://www.sida.se/exitevaluation.

Knack, S. and Rahman, A. (2004). *Donor fragmentation and bureaucratic quality in aid Recipients,* Policy Research Working Paper No. 3186, Washington: World Bank.

Kowayi, V. (2011), *Malawi's Governance and Foreign Aid Crisis: Implications for Poverty Reduction and AIDS Relief*. Pretoria: IDASA. Available at:

Land, A. (2002). *Taking Charge of Technical Cooperation, Experience from Botswana: A Case of a Country in the Driver's Sea*t, European Center for Development Policy Management Discussion Paper No. 34. Available at: *www.ecdpm.org/Web_ECDPM/Web/Content/.../02-34e-tland.pdf.*

Leith, J.C. (2005). *Why Botswana prospered.* Montreal & Kingston: McGill-Queen's University Press.

Lensink, R. and White, H. (1999). *'Assessing aid': A manifesto for aid for the 21st century?* (Sida evaluation report No. 99/17:13). Stockholm: Sida.

Mail and Guardian. (2013). 'Banda assures IMF of Malawi's economic reform', 5 January, p.1. Available at: http://mg.co.za/article/2013-01-05-malawis-banda-assures-imf-of-economic-reforms/.

Maipose, G., G. Somolekae, and T. Johnston. (1997). "Effective Aid Management: The Case of Botswana", in J. Carlsson, G. Somolekae and N. van de Walle (eds.), *Foreign Aid in Africa: Learning From Country Experiences,* Uppsala: Nordic African Institute.

Maipose, G. S. (2003). "Economic Development and the Role of the State in Botswana." Development Management Policy Forum Bulletin, Available at: http://www.dpmf.org/Publications/Bulletins/bulletin-apr-03/botswana-eco-devt-maipose.html

Maipose, G. (2009) Botswana: the African Success Story. In *The Politics of Aid. African Strategies for Dealing with Donors,* (ed) L. Whitfield, Oxford, Oxford University Press. Pp. 108-130.

Maipose, G.S. and Matsheka, T.C. (2002). 'Explaining African Growth Performance: The Botswana Case Study', University of Botswana, Draft Paper. Available at http://depot.gdnet.org/gdnshare/pdf/draft_country_studies/Botswana-Maipose_RIR.pdf.

Malawi Today. (2013). 'Stop relying on aid, UK Minister tells Malawi', 17 July, p. 1. Available at: http://www.malawitoday.com/news/125970-stop-relying-aid-uk-minister-tells-malawi.

McCullough, A. Tsui, J., Green, T. And Bazeley, P. (2011). *Review of Literature and International Practice in Policy Dialogue*. Canberra, The Office of Development Effectiveness. Available at: http://www.ode.ausaid.gov.au/current_work/documents/review-policy-dialogue.pdf .

Meagher, K. (2009). "The Anti-Governance Machine: Ownership and Accountability in the New Aid Regime" *in Beyond Accra: Practical Implications of Ownership and Accountability in National Development Strategies: Proceedings of the GTZ_LSE_SDC Conference*, London, 22-24 April 2009 United Kingdom: London School of Economics

Mills, G. (2010). *Why Africa is poor*, South Africa: Penguin Group.

Morrison, J. & Hurlburt, H. (2004) *Botswana's strategy to combat HIV/AIDS–Lessons for Africa and President Bush's Emergency Plan for AIDS Relief: A Conference Report of the CSIS Task Force on HIV/AIDS,* Washington DC, 20510, USA, November 2003. Available at: http://www.kaisernetwork.org/health_cast/uploaded_files/Agenda_CSIS111203.pdf.

Morss, E. R. (1984). 'Institutional Destruction Resulting from Donor and Project Proliferation in Sub-Saharan African Countries', *World Development*, Vol. 12, No. 4.

Morton, K. (1975). *Aid and Dependence British Aid to Malawi*, London: Croom Helm Limited.

Moss, T., Pettersson, G. and van de Walle, N. (2006). *An Aid-Institutions Paradox? A Review Essay on Aid Dependency and State Building in Sub-Saharan Africa*: Working Paper Number 74. Centre for Global Development.

Moyo, D. (2009). *Dead aid: Why aid is not working and how there is another way for Africa*, Penguin Books, London/New York.

Nissanke, M. (2000). "From aid dependence to self-articulated aspiration: A comparative analysis of sub-Saharan Africa and East Asia", *Cambridge Review of International Affairs*, 14 (1), pp. 167-190.

Ohno, I. and Shimomura, Y. (2005). "Introduction and Overview" in Ohno, I. (ed.) *True Ownership and Policy Autonomy: Managing Donors and Owning Policies,* Tokyo: National Graduate Institute for Policy Studies. Available at: http://www.grips.ac.jp/forum-e/pdf_e02/TrueOwnership.pdf

Phiri, F. (2013). 'Malawi sees first major protest under President Banda', *Reuters,* 17 January, p.1, viewed 19 January 2013, http://www.trust.org/alertnet/news/malawi-sees-first-major-protest-under-president-banda/.

Rakner, L. (1996*) Botswana- 30 Years of Economic Growth, Democracy and Aid: Is There a Connection?,* Report8, Bergen, Norway: Chr. Michelsen Institute.

Raphaeli, N., Roumani, J., and Mackella A.C. (1984). 'Public Sector Management in Botswana: Lessons in Pragmatist', World Bank Papers, No. 709.

Resnick, D. (2012). *Two Steps Forward, One Step Back: the Limits of Foreign Aid on Malawi's Democratic Consolidation.* United Nations University World Institute for Development Economics Research. Working Paper No. 2012/28.

Riddell, R.C. (2007) Does Foreign Aid Really Work, New York: Oxford University Press.

Rubin, O. (2008). "The Malawi 2002 Famine-Destitution, Democracy and Donors", *Nordic Journal of African Studies* 17 (1), pp. 47-65.

Sabola, T. (2012). 'Malawi worse off after debt relief', *BNL Times*, 12 September, p. 1, viewed 15 February 2013, http://www.bnltimes.com/index.php/daily-times/headlines/business/11516-malawi-worse-off-after-debt-relief.

Sebudubudu, D. (2005). "The Institutional Framework of the Developmental State in Botswana", in Mbabazi, P. and Taylor, I. (eds.) CODESRIA: Dakar.

Seers, D. (1981). *Dependency Theory: A Critical Reassessment*. London: Francis Pinter.

Simukonda, P.H. (2005). "The Impact of Environmental Factors on Rural Welfare and Development: The Malawi Experience", *Pula: Botswana Journal of African Studies*, 9(1), pp. 61-88

Sobhan, R. (1996). 'Aid Dependence and Donor Policy: The Case of Tanzania with Lessons from Bangladesh's Experience', in Sida, (ed.) *Aid Dependency: Causes, Symptoms and Remedies Project 2015*, Stockholm.

Sogge, D. (2002). *Give and Take: What's the Matter with Foreign Aid?,* Claremont: David Philip Publishers (Pty Ltd).

Stiglitz, J. E. (2002). *Globalization and Its Discontents*. New York: W.W. Norton.

Summary of the CSP? NIP (2008-2013) for the Republic of Botswana. (2008). Available at: http://ec.europa.eu/development/icenter/repository/summary_bw_csp10_en.pdf.

Tandon, Y. (2008). *Ending Aid Dependence,* Nairobi: Fahamu Books.

Tarp, F. (2010) 'Aid, Growth and Development', in Mavrotas, G (ed.) *Foreign Aid For Development Issues, Challenges and the New Agenda*, New York: Oxford University Press.

Tafirenyika, M. (2012). 'Lessons from Malawi's food crisis', *The Herald,* 21 December 2012, p. 1, viewed 19 January 2013,

http://www.herald.co.zw/index.php?option=com_content&view=article&id=60801:lessons-from-malawis-food-crisis&catid=42:features-news&Itemid=134#.UR308dWVrtw.

Todaro, M. & Smith, S (2006) Economic *Development*. 9th edn. London: Pearson Addison Wesley.

Togo, K. and Wada, Y. (2008). Development Assistance and Economic Growth: A Case Study of Botswana. Tokyo: Musashi University Discussion Paper No. 48.

United Nations Conference on Trade and Development. (2006). *Economic Development in Africa: Doubling Aid: Making the "Big Push" work*. New York: United Nations.

United Nations Development Programme (2009). *Assessment of Development Results: Evaluation of UNDP Contribution-Botswana*. *Evaluation Office, May2009*. United States of America: UNDP Available at: www.oecd.org/countries/botswana/46818033.pdf.

United Nations (2010*). United Nations in Malawi: Malawi Country Assessment Repor*t, Lilongwe: UN.

De Valk, P. (2010). 'Aid Taken for Granted? From Local "Ownership" towards "Autonomy" in aid projects', International Journal of Politics and Good Governance, 1(1.2), pp. 1-36.

Van de Walle, N. and Johnston, T. (1996). *Improving Aid to Africa*, Washington DC: Overseas Development Council.

Van de Walle, N. (1999). "Aid's crisis of legitimacy: current proposals and future prospects", *African Affairs*, Vol. 98, pp. 337-352.

Van de Walle, N. (2005). *Overcoming Stagnation in Aid-Dependent Countries*, Washington, DC: Center for Global Development.

Van der Meer, E., Tostensen, A., Slob, A. and Jerve, A.M. (2008). *Managing Aid Exit and Transformation: Malawi Country Case Study Joint Donor Evaluation 2008:1:5*, Stockholm: SIDA. Available at: http://www.sida.se/exitevaluation.

Wangwe, Samuel M. (1997). The Management of Foreign Aid in Tanzania. Economic and Social Research Foundation. Discussion Paper No 15. Dar es Salaam: ESRF.

Whitfield, L(ed). (2008). '*The Politics of Aid – African Strategies for Dealing with Donors*', USA: Oxford University Press.

Whitfield, L. and Fraser, A. (2010), "Negotiating Aid: The Structural Conditions Shaping the Negotiating Strategies of African Governments", *International Negotiation*, 15 (3) (October), pp. 341–366.

Whitfield, L. & Maipose, G., (2009). "Managing Aid Dependence: How African governments lost ownership and how they can regain it" in Whitfield, L. (ed.) *The Politics of Aid. African Strategies for Dealing with Donors*, Oxford: Oxford University Press.

World Bank. (1998). *Assessing Aid. What works, what doesn't, and why.* Policy Research Unit, September.
Washington D.C.

World Bank. (2000). Malawi Country Assistance Evaluation. Report No. 21395. Washington DC: World Bank.

Wright, N. (2012). 'Is development aid to Malawi anything more than Neocolonial Life support?', Nyasa Times, viewed 6 January 2013, http://www.nyasatimes.com/2012/08/08/is-development-aid-to-malawi-anything-more-than-neo-colonial-life-support/.

Wroe, D. (2012). "Briefing Donors, Dependency, and Political Crisis in Malawi", *African Affairs*, Vol. 111, no. 442, pp 135-144.