FOREIGN AID AND DEVELOPMENT:
THE LEATHER INDUSTRY IN
TANZANIA

By

LINDA FRAY SHREWSBURY

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Harvard University

Cambridge, Massachusetts

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Thesis Approved:

Thesis Adviser Theodore M. Vestal

Committee Member Joel M. Jenswold

Committee Member James M. Scott

Committee Member P. Larry Claypool

Graduate Dean A. Gordon Emslie

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ACRONYMS

AFLAI	African Federation of Leather and Allied Industries
AID	Agency for International Development
ASSOMAC	Associoazione Nazionale Costruttori Macchine dell'area pelle
CBI	Center for the Promotion of Imports from Developing Countries
CFC	Common Fund for Commodities
CFC	The Committee for Commodities
CTA	Chief Technical Adviser
DAC	Development Assistance Committee
DFID	Department for International Development
ETP	Effluent Treatment Plants
EU	European Union
FAO	Food and Agriculture Organization
ICA	U. S. International Cooperation Administration
IFI	International Financial Institution
IIAA	Institute of Inter-American Affairs
IMF	International Monetary Fund
IO	International Organization
ITC	International Trade Centre
LDC	Least Developed Countries
NIC	Newly Industrialized Country
OA	Official Aid
ODA	Official Development Assistance
ODA	Overseas Development Aid
OECD	Organization of Economic Cooperation and Development
RALFIS	Regional African Leather and Footwear Industry Scheme
SIC SA	Societe Internationale du Cuir

TA	Technical Assistance
TAC	Assembly Council
TILT	Tanzania Institute of Leather Technology
TP	Tied Procurement
UN	United Nations
UNDP	United Nations Development Fund
UNIDO	United Nations Industrial Development Organization
UNTAA	UN Technical Assistance Administration
USAID	United States Agency for International Development
WTO	World Trade Organization

CHAPTER I

INTRODUCTION

On the African continent, home to the world's largest standing herd of cattle, sheep, and goats, Tanzania's abundant livestock resources rank third. For almost forty years, these assets have held out the tantalizing prospect of supplying input to a thriving industry of leather production and manufacturing to benefit the nation's economy. The vision and seeming potential however, continue to remain largely unrealized. Instead, disillusionment and even pessimism have come to characterize the ongoing failure of development within Tanzania's leather industry. The failures of development which characterize the Tanzanian leather industry epitomize the broader failures of development which cut across country and industry lines on the African continent.

Introduction: The Sad Tale of the Tanzanian Leather Industry

The history of Tanzania's modern leather industry and the misbegotten plan for its development began in the mid 1970s. Under the policy of import-substitution the Tanzanian government placed a high priority on establishing leather processing and manufacturing as a primary income producing industry for the nation. The country's socialist orientation following its independence in 1961 did not prevent Tanzania's president—Julius Nyerere, a popular head of state with Western political leaders—from securing development capital from the World Bank to set up government-run parastatals in the leather industry. The attempt to advance a national leather industry underwritten by foreign aid proved to be a disappointing and expensive experiment with industrialization. World Bank loans of over $40 million to the industrial leather cluster at Morogoro are among the most notorious examples of waste and inefficiency in the folklore of development history (Erixon, 2005). The World Bank website provides standard funding data about various projects and programs. The page describing bank involvement and activity at Morgoro notes that no project related documents are available at this time. Under the heading "project goals," it simply states "this item has been removed" (World-Bank, 2006).

During the mid 1980s, the government hastily divested its leather parastatals with a view to promoting future industry development through the private sector. Since the late 1980s foreign aid from a variety of international development organizations has supplemented private sector efforts to enlarge the leather industry. For almost three decades, multilateral agencies have conducted research and published assessments of the Tanzanian leather industry and leather supply chain. The resulting reports have launched many international agency-sponsored programs that have supplied expensive—and often useless—imported equipment and highly paid expatriate technical consultants for the purpose of developing Tanzanian leather processing. Given the promising indicators noted by these international studies and the contributions of international aid, the most pertinent and inescapable question remains unanswered: why has development failed to occur on the predicted, or even on any significant, scale?

Although not forthcoming about their own role in the problem and the lack of measurable results in exchange for the development funds previously invested, international agencies themselves have lamented the failure of development in Africa's leather industry generally and the case of Tanzania specifically. According to one senior development official at the International Trade Centre (ITC), a multilateral agency of the European Union, the lack of mechanisms for collaboration within the African leather sector to facilitate regional integration badly constrains development. ITC recommended creation of the African Federation of Leather and Allied Industries (AFLAI) in 1998 to establish a network of national leather associations for the most part under the auspices of international organizations.

Despite development challenges, international aid agencies continue to predict a bright future for Africa's tanning industry. In 2003, the Food and Agriculture Organization (FAO), a United Nations (UN) agency, projected that global demand for raw skins, hides, and finished leather products would exceed supply in the coming decade. *International Trade Forum*, the magazine of ITC, cited figures indicating that total international trade in leather was one and a half times the value of the global meat trade, more than five times the coffee trade, and more than eight times the rice trade (Dadaglio, 2003). The Committee for Commodities (CFC), another UN agency estimated that between 2002 and 2003, world leather trade climbed from $50 to $60 billion and calculated that the leather market was far from saturated (Reinstra, 2004).

Meet in Africa (MIA), a biennial conference series billed as the most important leather assembly on the African continent, was initiated by the ITC in 1998. A dozen major UN and EU agencies collaborate with ITC to organize, support, and fund the event. Collaborators included Netherlands' Center for the Promotion of Imports from

Developing Countries (CBI), Societe Internationale du Cuir (SIC SA) of France, Associoazione Nazionale Costruttori Macchine dell'area pelle (ASSOMAC) of Italy, the United Nations Industrial Development Organization (UNIDO), and the Common Fund for Commodities (CFC). The Expert Group Meeting on Trade and Development in the Leather Industry in Africa convened in conjunction with MIA 2002 (Jabbar, Kiruthu, Gebremedhin, & Ehui, 2002).

Ten international agency-sponsored conference papers were presented to the group identifying leather trade and processing as well as the manufacture of finished leather goods as one of the most strategic agricultural and industrial sectors for developing African economies. The studies examined the difficulties faced by Africa's leather industry and contained conclusions that have become familiar over the last twenty-five years. They referred to the potential for international and interregional leather trade, the promise of increased employment at every level of the leather supply chain from its beginning point in animal husbandry, and the prospect of manufacturing and marketing finished leather products. Each study predicted that successful development of the leather industry would contribute significant benefits to the rural economies of less developed countries (LDCs), and help African states including Tanzania reduce poverty. Additionally, they anticipated leather exports as a significant source of foreign exchange earnings for African national economies. The expert group members urged *development and revitalization of the leather industry* as a critical step toward economic progress of LDCs. Ironically, international agency reports have reiterated essentially the same conclusions every two years since 1984.

Since 1975, at least three cycles of foreign aid funding earmarked for industrializing Tanzanian leather production have been realized by means of both concessional foreign aid giving from multilateral organizations and loans from international financial institutions. As mentioned earlier, the World Bank financed parastatals in the mid 1970s. Beginning in 1989, the United Nations Industrial Development Organization (UNIDO) funded the Regional African Leather and Footwear Industry Scheme (RALFIS), a major thirteen-year, three-phase leather industry development effort conducted in ten East African countries, among them Tanzania. RALFIS was co-sponsored by other UN agencies including the Food and Agricultural Organization (FAO), the Common Fund for Commodities (CFC), and the United Nations Development Programme (UNDP). Several EU multilaterals participated in the program as well. In 2004, Tanzania's leather industry, like the African leather sector on the whole, remained substantially as undeveloped as it had been thirty years earlier. Interestingly, during the same period, leather processing in the developing economies of South East Asia and India experienced tremendous development and growth (Muchie, 2000).

The latest push for developing Tanzanian leather called *A Blueprint for the African Leather Industry* is part of an initiative unveiled by UNIDO in 2004 (Scullion). *The Blueprint* is based on the MIA 2002 conference studies and is designed for use by development agencies and other stakeholders in opening up new opportunities for commercially exploiting hides and skins. New statistics, reports, and projections constitute the basis for yet another round of program proposals for foreign aid funding to assist the Tanzanian leather industry and another cycle of promises for the growth and future development of its hides and skins resources. The pattern of industry programs driven by international organizations, employing foreign experts and imported industrial equipment that after thirty years has unsuccessfully addressed fundamental issues of the leather supply chain must eventually raise the question: Who in fact has benefited from foreign aid to industrialize Tanzanian leather? LDC development hopes continue to be let down, yet the endeavors of international development agencies remain a virtual growth industry which was worth $79 billion globally in 2004.

An Empirical Puzzle

The leather industry in Tanzania presents an empirical puzzle that is relevant to development and to foreign aid. When the puzzle is tied into current theory regarding the potential of foreign-aid assisted development, the outcome—stagnation—seems counterintuitive. Foreign aid began as US foreign policy after World War II with the Marshall Plan, also known as the European Recovery Program. The Marshall Plan was followed in the 1950s by Point Four, a project of technical assistance to underdeveloped countries. From the beginning of the experiment with development assistance, some economists questioned aid assisted development, arguing that neither historical precedent nor fundamental economic theories existed for the practice. Economists K. B. Griffin and J. L. Enos of Magdalene College, Oxford, called foreign aid “an unprecedented experiment without compelling theory or compelling evidence to demonstrate its effectiveness” (Griffin & Enos, 1970, p. 325). The efficacy of foreign aid has been assumed (even in the face of contradictory evidence) rather than rigorously investigated and empirically verified.

A common focus of fault for the ineffectiveness of aid in producing development is donor unwillingness to invest the level of funding needed to accomplish the task. Some view the self interested motives of donor giving as a factor that substantially reduces the development impact of aid. Assistance given for military and political objectives for example, may be inconsistent with the use of resources to enhance growth (Krueger, 1986). The United States has made no secret of pursuing goals other than economic development by means of foreign aid. Military security, promoting US exports and overseas investment, disposal of agricultural surpluses, and political support for friendly régimes have openly been goals of US foreign aid (Huntington, 1971).

Donors in turn argue that recipient countries have not utilized development assistance well. They claim that aid has failed to reduce poverty for a variety of reasons. For example: poor governments use aid for non-investment expenditures or in place of proper tax collection, fail to promote macroeconomic stability, waste aid on corruption, or cannot absorb more aid due the lack of administrative capacity. ActionAid International, a pro-aid non-governmental organization working in South Africa challenges these claims and presents plausible responses. For example, the limited capacity of poor countries to absorb aid results from cumbersome administration required by donors. The World Bank and the International Monetary Fund (IMF) force poor governments to undertake inappropriate policies as conditions of assistance, even though such conditionalities frequently fail to achieve the promised benefits of growth (Greenhill & Walt, 2005).

The roles of recipients and donors each have been critiqued and theorized about extensively in the question of foreign aid effectiveness, but curiously absent from the debate is serious scrutiny or investigation of the international development apparatus that administers aid. Surprisingly few students of international development organizations have been critical of their performance or their utility even though evidence shows they produce undesirable outcomes repeatedly (Barnett & Finnemore, 1999). Bilateral and multilateral development organizations have disbursed billions in aid funding over the past five decades, yet have managed steadfastly to avoid careful evaluation of their efforts. While informal anecdotal criticism of the development community abounds, systematic empirical studies of its performance and the results of foreign aid programs are difficult to locate.

Purpose of the Study

The leather industry in Tanzania is a case of minimal development and ineffective foreign aid. Budget statements of development programs expressed in dollar amounts have fostered the popular belief that foreign aid makes money available to recipients. However, this is a misconception (Gaud, 1968). In reality, foreign aid consists primarily of the services and goods donors provide in the form of technical assistance (TA) and tied procurement (TP). A valid question is: why do policy makers and development theorists take for granted an assumption that foreign aid provided in these forms functions exactly as does the capital variable in theoretical economic models of growth and development? Furthermore, questions arise about the delivery mechanism of foreign aid—international bureaucratic organizations. Can development in a country really be promoted and accomplished by bureaucracy, or does it rather stymie development efforts? This study will argue that foreign aid has not produced development because factors inherent in the nature and structure of the international organizations that direct development and disburse foreign aid make these organizations unsuited to the task of promoting development

Drawing on the work of Austrian economist Ludwig von Mises in his book *Bureaucracy* (1983), and researchers M. Barnett and M. Finnemore (1999) in *The Politics, Power, and Pathologies of International Organizations*, I suggest that certain incentives within international bureaucracies weaken their development mission. I argue that growth theories regard flexibility, adaptability, and innovation as requisite for development progress—while these are the very qualities that bureaucracies oppose.

I examine how attitudes within international organizations that are arguably imperialistic affect policies and program proposals. I argue that these postures toward LDCs have historical roots in 19^{th} century European colonialism and have found their way into international organizations where they manifest in a variety of ways. Nobel laureate economist Gunnar Myrdal called the aid policies of developed countries toward underdeveloped countries a crucial political problem that, at bottom, was a moral issue. "The primordial problem is, how people in the developed countries *think* and *feel* about helping underdeveloped countries in their development efforts" (Myrdal, 1970, p. 310). The view of the donor-LDC relationship as a benefactor-supplicant association engenders a mind-set toward foreign aid that is cause for concern, concern that cannot be dismissed lightly.

Methodology

The original research for this paper began with an extensive review of primary and secondary literature on the leather industry in Tanzania. Information was available largely through international agencies of the UN, the EU in the form of industry studies and project descriptions of aid-funded programs conducted by the Food and Agricultural Organization (FAO), the United Nations Industrial Development Organization (UNIDO), the Industrial Development Decade for Africa (IDDA), the Common Fund for Commodities (CFC), the United Nations Development Programme (UNDP), and the International Trade Center (ITC), among others.

My research located only one program evaluation, a report (UNIDO, 1997) that assessed the second phase of the Regional Africa Leather and Footwear Industrial Scheme (RALFIS). This UNIDO program involved ten East African nations including Tanzania. Review of the report uncovered issues concerning development and foreign aid in the context of Tanzania's leather industry that led to further research on foreign aid effectiveness and international development bureaucracies. The RALFIS evaluation will be examined as a case study of this paper's thesis about the foreign aid bureaucracy.

I argue that foreign aid has produced minimal results in less developed countries (LDC) first and foremost because at its conception following World War II, the role of aid was viewed principally as a means of controlling the world economic order and only incidentally as a means of assisting economic development. The structure and function of foreign aid characterized as the "aid regime" has shaped development strategies in ways that have adversely affected aid recipients notwithstanding the prevailing public perception of a positive link between aid and development. I further maintain that foreign aid programs administered through massive bilateral and multilateral bureaucratic structures exert a kind of domination that interferes with development and hinders LDC economic progress. Finally, foreign aid perpetrates imperialistic attitudes and practices that negatively affect the efforts of LDCs to promote economic development.

Organization of Study

Chapter 2 discusses characteristics of development as they relate to foreign aid. International regime analysis is employed to define the structure and function of foreign aid. Two elements of aid—technical assistance and tied procurement—are explored with emphasis on how they conflict with aspects of development. This section also presents a curious parallel between the theory used to rationalize reconstruction aid in the Marshall Plan and the theory later used to justify Third World development aid.

Chapter 3 discusses the Weberian theory of bureaucracy as well as the pathologies that can occur within bureaucratic structure in order to draw implications about the suitability of bureaucracy as a means of administering foreign aid. It further examines ways in which the activities of bilateral and multilateral agencies may thwart rather than promote development; and ways in which aid bureaucracies engage in self-serving behavior.

Chapter 4 looks at 19th century imperialism to highlight parallel attitudes within the structure and function of today's aid regime. It explores how a mindset of superiority fosters policies that undermine national strategies, ignore national priorities, and promote dependency for an overall negative impact on LDCs development efforts.

Chapter 5 investigates the Phase II RALFIS Evaluation Report as a case study of foreign aid and development. Based on three questions derived from the thesis of this paper, I analyze the reported program results by comparing whether donor priorities or recipient priorities are achieved.

In conclusion, chapter 6 recommends a development funding method first put forward in an essay by economist, Albert Hirschman, *Foreign Aid—A Critique and a Proposal* (1968). I briefly reconsider this alternative, noting that the revolution in information and communication technology that occurred in the intervening years since Hirschman's original proposal, could support implementation of the model in ways that were unimagined four decades ago.

CHAPTER II

FOREIGN AID REGIME

What is economic development?

The field of development economics and the basic paradigms which underlie it originated together in Adam Smith's *The Wealth of Nations*, an essay that was chiefly concerned with promoting economic development in England (Dorfman, 1991). The current focus among economists on economic development began immediately after World War II when former colonies of European-based empires became new nations. The poverty and instability of these least developed countries (LDC) placed development economics high on economists' agendas. Adelman and Morris (1997) define economic development as "widespread, widely shared, sustainable economic growth accompanied by significant structural change in production patterns and in economic and political institutions and by generalized improvement in living standards of the poor" (p. 831).

Four lessons of Comparative Development History

Adelman and Morris (1967) studied the development history of seventy-four countries during the two so-called "golden eras of economic development": the Industrial Revolution and the post-World War II period between 1950 and 1965. Applying systematic econometric analysis to the patterns of interaction among social and political variables and proxies for economic institutions and policies, they investigated various aspects of development. Relatively homogenous countries were grouped into clusters defined by both a common development process and common initial conditions or by a series of institutional developments. The comparisons yielded four major lessons that are useful in identifying factors that are significant to development.

The first lesson of comparative development history is that the process of economic development has been "highly nonlinear and highly multifaceted" (Adelman & Morris, 1997, p. 833). This contradicts any notion that there are universal patterns of growth or sequences of economic development and institutional change. Historically, development has followed at least four distinct paths : (1) the autonomous export-led industrialization path that first comers to the Industrial Revolution followed; (2) the government-led inward-oriented industrialization path followed by late comers to the Industrial Revolution; (3) the balance growth, open-economy, limited government intervention path pursued by a few small European countries; and (4) the agricultural, primarily export-oriented and sharply dualistic path pursued by both land abundant countries and densely populated ones.

Similarly, contemporary developing countries demonstrate strikingly diverse patterns of economic and institutional changes even among countries with comparable initial conditions. The forty percent of developing countries at the lowest end of the socioeconomic spectrum had dualistic development, meaning that although a modern, export-oriented primary sector developed, corresponding market institutions and political systems did not develop. Intermediate transitional economies proceeded far enough in modernization to disturb traditional customs and institutions but not far enough to produce self-sustaining economic development. In the third most developed group of countries, crucial factors in their economic performance depended on the effectiveness of economic institutions and the extent of national mobilization for development (Adelman & Morris, 1997). Thus, historical and contemporary experiences indicate that development depends on the interplay of many factors.

> "No single theory is likely to offer an equally good explanation over the entire range of development experience… and policy prescriptions based on generalizing across countries at very different levels of socio-institutional and economic development are likely to be seriously misleading" (p. 834).

The study's second finding about comparative development history was that domestic institutions were the distinguishing factor in explaining which transitional countries became economically developed and which did not (Adelman & Morris, p. 834). For example, countries with favorable land tenure systems, developed market institutions, and political systems responsive capitalist interests developed first during the 18th and 19th centuries. In the 20th century between 1950 and 1973, developing countries with the most advanced economic and political institutions benefited most from the growth generated by trade with developed countries. The indispensable corollary of this lesson is that a government must build political and economic institutions as a precursor to developing its national economy.

The land-abundant countries of Argentina, Brazil, Australia, and New Zealand, for instance, illustrate how domestic institutions affected the rate of growth and the spread of development benefits in nations that shared similar initial conditions. All four were settled by Europeans during the late 19th century, yet differing systems of land tenure and politics resulted in sharply disparate economic outcomes. In Argentina and Brazil, land concentration in the hands of politically powerful domestic elites accelerated economic growth but intensified existing class inequality. By contrast, economic growth in Australia and New Zealand was more equitable because universal male suffrage increased political power for the middle and working-classes.

The third lesson of the Adelman and Morris study was that development involves a variety of substitutions for incomplete or missing elements in developing economies. Historically and in contemporary transitional economies, domestic governments, foreign institutions, and international trade have supplied inadequate or missing domestic elements. The precise mix, however, has varied even among countries at similar levels of industrial development.

The fourth lesson is that economic policies and government actions respecting trade, agriculture, and investment were critical at every level of development. Nevertheless, the required actions and their relative effectiveness varied by the developmental level of the economy.

Misleading Development Theory and Policy

The most important implication of these four lessons is that growth and development theories suffer from "misplaced universality and from tunnel vision" (Adelman & Morris, p. 838). Universal prescriptions for economic development are out of place. The institutions and policies appropriate to each phase of development, and the transitions needed to shift between phases, are context specific. Adelman and Morris (1997) argue that a major reason for the limited development success among LDCs for the past 50 years has been the nature of the guidance they received from development economists and international institutions committed to universal principles and simplicity in theory and policy. Unsuitable theories and policies "cannot avoid delaying or altogether blocking development" (p. 839). Policies and institutions do not transfer well across development levels or between situations with different institutional settings and initial conditions. Each level of development presents a variety of possible paths, policies, institutional and social changes.

The requirements of development, nonetheless, turn out to be "more tolerant of cultural and institutional variety" than limited prior experience assumed (Hirschman, 1965, p. 389). Political economist Albert Hirschman argues that theories that make the elimination of particular defects into "prerequisites for any forward movement" are suspect. Countries can overcome a missing conventional prerequisite in at least two distinct ways: either they invent their own substitute or the prerequisite turns out to be dispensable after all (p. 391). Policy-makers must perceive the possibilities for adaptation.

Obstacles to development are usually defined as "the absence of a condition that was found to be present in a country that subsequently developed" (p. 387). If particular circumstances that held during the active development of advanced countries are absent in LDCs, these lacks are automatically construed as obstacles to development. This leads to the "dismal" and "implausible" conclusion that the more countries develop the more difficult it is for the remainder to do likewise. Hirschman concludes, as Adelman and Morris that countries take multiple paths to development and may all develop successfully by very different routes toward the goal. Aid providing institutions such as the World Bank and the IMF have paid little attention to these conclusions in their efforts to assist LDC development. Instead, they have tended to support only a particular development paradigm while excluding all others—a policy that does not comport with historical or contemporary development experience.

Capital and Development

In classical theories of economic growth from Adam Smith and David Ricardo to John Stuart Mill, the accumulation of capital plays the central role in economic growth. Increasing capital stock supplied the means of employment and social welfare depended on the growth rate of capital. Encouraging savings and investment was therefore all-important. Karl Marx, despite his dissident views, also qualified as a classical theorist because he espoused Ricardo's theory of value. Marx injected the notion that economic development was causally linked to political and social development. He paid attention to the idea of technological developments as an important impetus to economic growth.

The next significant contribution was from Schumpeter's theory of innovation generated growth. This theory shifted attention away from increasing capital stock and concentrated on innovation as the engine of growth in contemporary and future economies. The theoretical approach of Walt Rostow, who wrote during the postwar period, divided economic development into a sequence of stages. During a long period of gradual growth, an economy attained the "preconditions for takeoff" followed by "takeoff, the drive to maturity, and the age of high mass consumption" (Dorfman, 1991, p. 581). Rostow's stages of growth theory along with the Harrod-Domar growth model, a model relating savings to investment helped to provide the rationale for bilateral and multilateral foreign aid policy beginning in the 1950s.

What is foreign aid?

The following characterizations of foreign aid reflect the ambivalence associated with its practice. In *A Political Theory of Foreign Aid* , theorist Hans Morganthau (1962) observed foreign aid is “a baffling innovation of the modern age” (p. 301). Economist Albert Hirschman (1968) wrote in *Foreign Aid—A Critique and A Proposal*, “Aid is as Janus-faced an institution as can be found” (p. 1). George Ball, Undersecretary of State for Economic and Agricultural Affairs for two administrations during the 1960s said, “Foreign aid is a deceptive phrase that comprehends programs and policies dissimilar in motive and effect” [quoted in (Wood, 1986, p. 5)].

Attempts to classify the forms of aid in terms of the underlying donor motivation produce an “endless set of categories” (p. 5). On the one hand foreign aid is an instrument of national policy used by rich nations to gain influence and increase their power. On the other hand, by redistributing income from rich countries to poor countries, foreign aid has the potential to assist in hastening development in the latter (Hirschman, 1971). But foreign aid suffers from ambiguity about its “real” function. When the benefits that redound to the donor are taken into account, “the imagery of gift-giving embedded in… aid becomes questionable” (Wood, 1986, p. 14). In the official lexicon of the Organization of Economic Cooperation and Development (OECD), an international organization of donor governments, foreign aid is defined by its source, its level of concessionality, and the motivation for it. Transfers of resources must be from a public source, at lower than market terms, and for the purpose of assistance.

Aid to investment to growth

Aid proponents have argued for more than fifty years that poor countries lack the infrastructure to support economic activity precisely because they lack the funds for investment. The original justification for development aid hypothesized a *financing gap* based on the difference between domestic savings and the capital needed for investment. Because poor countries have low per capita income, savings are also low. Following this reasoning, donors simply calculate the financing gap and supply the foreign aid needed to fill it, in order for countries to promote development (Erixon, 2005).

The financing gap was based on the Harrod-Domar growth model developed in the 1940s. The model's logic was simple: per capita income determined savings and savings determined investment. The Chenery-Stout model refined Harrod-Domar by proposing an additional gap between import requirements and the foreign exchange to finance them. The *two-gap* financing model became the standard rationalization for aid packages. However, misgivings about the model were expressed as early as 1957 in an article on economic growth by Robert Solow (Easterly, 1999).

Domar himself immediately acknowledged that his model was intended as a description of investment driving the short run business cycles in developed economies, not a theory of long term growth and development in LDCs (Easterly, 1999). Economists questioned two features implied by the model: a one-to-one correspondence between aid and investment; and a fixed linear relationship between investment and growth in the short run. K. Griffin and K. Enos (1970) maintained that there is no theoretical or empirical justification for presuming a short run proportional relationship between growth and investment requirements and that the aid policy of filling a financing gap determined by investment requirements would not raise investment or growth in the short run (Easterly, 1999).

Economist Gustav Papanek (1972) called it "curiously naïve" to assume that each dollar of foreign aid would result in an increase of one dollar in savings and therefore investment. According to Papanek the assumption that foreign resources exactly add to domestic savings had no basis in traditional economic analysis. "On the contrary, conventional theory holds that, additional resources are used only in part to augment investment" (p. 935). The third contestable aspect of the Harrod-Domar model relates to the applicability of Western economic theory to third world development. This model assumes the support of institutional structures and market integration that often do not exist in LDCs. "But the model lived on in the development literature" (Easterly, 2002).

The Aid Regime

In the book *From Marshall Plan to Debt Crisis*, author Robert Wood (1986), a sociologist and Assistant Professor at Rutgers University, argues that the structure and function of foreign aid financing has shaped the development choices and constraints of the Third World. Employing international régime analysis, a theory developed within the field of international relations, to conceptualize foreign aid, Wood defines what he subsequently calls the aid regime by the principles, norms, rules, and procedures around which "the expectations of actors" converge within an aid and development community (p. 96). Principles are the accepted beliefs of fact, causation, and rectitude. Norms are standards of behavior, rules are specific prescriptions for action, and procedures are the prevailing practices of collective decision-making (Wood, 1986, p. 97). The regime approach helps to clarify the logic of aid provision by describing a set of "injunctions that affect the calculations and decisions of both donors and recipients" (p. 7).

The aid régime regulates five fundamental areas of concessional financing: 1) the framework for negotiating financial transfers between donors and recipients; 2) the situations where aid is appropriate; 3) the relationships among donors; 4) the relationship between aid and broader development policies; and 5) the credit worthiness of recipients.

The fundamental characteristic of the aid regime framework is *pervasive bilateralism*. Aid discussions take place between single donors and single recipients. Even when the donor is a multilateral organization rather than a donor state, the transaction is bilateral. The situations where aid is considered appropriate are controlled not only by where donors choose to allocate aid, but also by the sectors and industries from which donors withhold giving in a practice referred to as *strategic non-lending*. If private capital is available within a certain industrial sector, then recipients must seek these resources first. Among donors there are grounds for deciding which source of aid is appropriate for a given request. This avoids inter-agencies struggles while providing the rationale for a kind of *institutionalized non-competition* between donors. The result is circumscribed choices of recipient countries in aid negotiations.

Conditionality governs the relationship of aid to broader economic issues. In 2007, the prerogative of international financial institutions to prescribe certain policies and structural adjustment programs for LDCs is completely taken for granted by recipients as well as aid donors. This was not the case early in the 1970s, when this policy was still being discussed only behind closed doors.

In 1968, Teresa Hayter (1971) was a member of the research staff of the Overseas Development Institute (ODI), a non-government body aimed at ensuring wise action in overseas development. She wrote *Aid As Imperialism*, a book charging that the policy of "leverage" (what later became known as conditionality) practiced by the World Bank, the International Monetary Fund (IMF), and the United States Agency for International Development (USAID) constituted interference within sovereign states on behalf of commercial agendas. She urged deeper consideration of whether such a policy should be allowed within international organizations. The World Bank, which had funded the study, objected to anything being written on leverage. In the end, the Bank refused to publish the work and tried instead to suppress its publication. Today, conditionality—essentially the transfer of national sovereignty to the bureaucrats of international organizations that lack transparency and accountability—is virtually unquestioned within donor institutions.

According to Wood (1986), "The entire system of external financing for the Third World rests on the accumulation and servicing of debt" (Wood, 1986, p. 102). The relationship between aid and debt is the fifth fundamental area of concessional financing regulated by the aid regime. It is a troubling aspect of the aid régime and the central focus of Wood's book. However, it is outside the scope of this paper.

Régime analysis usually deals with complex interdependence in situations of reciprocity. The bilateralism and power asymmetry in the donor recipient relationship as well as the diverse purposes of aid represent grounds on which the application of regime analysis of foreign aid might be questioned. Typically, regime analysis pertains to single issues rather than the diverse purposes that foreign aid represents. Nonetheless, the standard operating presumptions about allocating foreign aid, the widely shared ideas about the conditions that should govern access to aid and the type of development that aid should promote make the régime approach particularly apt for the examination of foreign aid.

The Current Flow of Foreign Aid

The figures in this paper attempt to illustrate simply the essential elements of the aid regime. Figures 1 shows the actors in the current foreign aid régime -- donors, recipients, and international organizations are represented by ellipses. The bilateral (state-directed) and multilateral (international organization-directed) bureaucracies that transfer resource through their programs are depicted as parallel structures. The influence of knowledge and expertise that legitimates and justifies the domination of development efforts by international organizations is represented in the top right hand corner of the diagram. Finally, the presence of special interest groups that influence and profit from foreign aid, appear at every juncture of the system and are symbolized by squares. Figure 2 illustrates how an alternative funding method might be introduced gradually to circumvent the current system. Figure 3 proposes a new funding scheme that will be discussed in the conclusion.

Figure 1 illustrates the bilateral framework on the donor recipient connection. While domination is not inherent to bilateralism, the power asymmetry of aid allows it for the most part to function in that manner. Donors control the flow of resources and direct the program initiative. Thus, they exercise power over strategic non-lending, conditionality, and debt. Institutionalized non-competition shows in the duplicate and parallel bilateral and multilateral structures of donor and international bureaucracies.

Recipients face an aid monopoly that allows them absolutely no choice in pursuing development—a process that absolutely requires flexibility, adaptability, and innovation.

The Components of Foreign Aid

The words "aid" and "assistance" refer to flows which qualify as Official Development Assistance (ODA) or Official Aid (OA). Bilateral flows are provided directly by a donor country to an aid recipient country. Multilateral flows are channeled via an international organization active in development (e.g. World Bank, UNDP). The Development Assistance Committee (DAC) of the OECD collects and publishes statistics of the official and private resource flows to all aid receiving countries.

In 1968, USAID administrator William Gaud said that the biggest single misconception about foreign aid in the public debate was the idea that the US "sends money abroad to assist countries in their development" (Gaud, 1968, p. 603). This belief still persists in popular thinking. In fact, ninety-three percent of USAID funds were spent directly in the US to pay for products and services that went abroad. In 1967, 4000 American firms in 50 states received $1.3 billion of USAID funds for products supplied as part of the foreign aid program (p. 603). In 2007, the USAID web site shows that the agency awards approximately $4 billion annually in grants and contracts to 3500 American businesses and over 300 private organizations in providing economic assistance to developing nations. US foreign aid consists of American personnel and American goods—equipment and raw materials—provided for specific programs and projects. Aid funds pay the salaries of American experts who work directly for the Government or American businesses and universities that carry out technical assistance contracts with USAID. Contrary to the common impression that American food surpluses comprise food aid, Gaud noted that one third of the total food aid program consist of American fertilizer, pesticides, equipment, technical assistance, and research.

What Is Technical Assistance?

Technical assistance as defined by the Organization of Economic Cooperation and Development (OECD) as foreign aid funding for three main categories: personnel consisting of long-term and short-term experts, both expatriate and national; study assistance through scholarships and internships for developing country nationals in donor countries; and research into the problems of developing countries, including research related to disease (Greenhill, 2006). Official OECD statistics indicate that global technical assistance (TA) was nearly $19 billion in 2004 or roughly a quarter of total global aid. Large donors, however, spent more than one-third of their Overseas Development Aid (ODA) on technical assistance.

In fact, figures from the Development Assistance Committee (DAC) of OECD considerably underestimate the true extent of foreign aid that technical assistance represents because multilaterals such as the UN, EU, World Bank, and IMF do not report their data to DAC (Greenhill, 2006). UN technical assistance alone is estimated at $2 to $3 billion a year, and the EU probably accounts for another $3 billion (p. 28). In 2003, IMF spending for 300 person years of direct technical assistance services was over $190,000,000 which amounted to $633,000 per person year [my calculation] (Selowsky, 2005, p. 2). The largest foreign aid donors in absolute terms, the U.S., France, Germany, and Japan, account for 75 percent of all technical assistance. In Australia and Greece, technical assistance accounts for over 40 percent of total ODA in recent years. Official statistics also fail to tell how budgets for technical assistance are actually spent. Areas funded through TA can vary from a research project in a northern university or a grass-roots teacher training project. Salary expenditures may range from long-term expatriate experts to short term national consultants employed for a day or two. The lack of data categories makes it difficult to assess the real scale and impact of technical assistance.

Effectiveness of Technical Assistance

Technical assistance has been heavily criticized as overpriced, ineffective, and deeply flawed as it promotes an outdated development model that undermines the priorities of LDCs. R. Greenhill (2006), in *Real Aid 2: Making Technical Assistance Work*, documents the continuous critical assessments of the TA starting as far back as 40 years ago with the following examples [quoted in (Greenhill, p. 28)]:

1969 Experience indicates that technical assistance often develops a life of its own, little related either in donor or recipient countries to national or global development objectives—Pearson Commission Report

1989 The vast bulk of technical experts and expertise provided by the UN donor system has outlived its usefulness, and that the time has come to rethink the purpose of aid and technical assistance within the UN system—Richard Jolly, of the Institute of Development Studies

1993 The use of expatriate resident technical advisers by aid donors is a systematic destructive force undermining the development of capacity in LDCs—Edward Jaycox, former World Bank vice president and African director

2002 The traditional form of technical assistance is an anachronism that is no longer viable—The Netherlands Ministry of Foreign Affairs

Key problems with technical assistance include: 1) TA is heavily tied to donor country firms. The associated tender and contract arrangements limit competition, and aid program and project allocations hide significant spending on technical assistance.

Technical assistance is excluded from OECD arrangements on untying. 2) TA does a poor job responding to local demand often excluding policy options and steering nationals to donor preferred reforms. 3) Duplication of TA is widespread. For example, in Vietnam, sixty different TA projects funded by twenty-three different donors with little apparent coordination studied various aspects of Vietnam's membership in the World Trade Organization (WTO).

In 2004, ActionAid (Greenhill & Walt, 2005) estimated that the markup from tying technical assistance was 15 percent to 40 percent. The extra cost of generous living and travel expenses that local experts would not incur subtracts from the value of TA. Based on available evidence ActionAid assumes that around half of the amount spent on TA does not enhance institutional capacity or improve management of resources in the recipient countries. The additional costs for expatriate advisers, and their weak contribution to enhancing institutional capacity means that an estimated 75 percent of TA is what ActionAid refers to as phantom aid.

Donor Benefits of Technical Assistance

Donor driven technical assistance is heavily oversupplied, overpriced, and concentrated on expatriate consultants at very high pay rates. Technical assistance contracts are awarded overwhelmingly to firms from the donor country. Consultancy firms are strongly motivated to create demand for their services because technical assistance provides a good source of income for home firms. In Sweden, a consortium of firms lobbied the government for access to aid funds arguing that industry engagement in aid projects would create qualified job prospects in Sweden (Greenhill, p. 35).

In Tanzania, a typical adviser costs $200,000 per year (Greenhill, p. 30). In Cambodia, donors spent an estimated $50 million to $70 million on 700 international consultants in 2002—roughly equivalent to the wage bill for 160,000 Cambodian civil servants—donor financed consultants to the Cambodian government received upward of 200 times the salary of their Cambodian counterparts; in India, the Department for International Development (DFID), the British foreign aid agency, spent $40 million in just six months on technical assistants from Credit Suisse First Boston. The total bill for foreign consultants in this program eventually rose to $110 million. In Vietnam, one DFID official estimated that foreign experts were typically paid between $18,000 and $27,000 per month compared to $1500-$3000 for local experts (Greenhill & Walt, 2005). In Nepal, the amount required to hire one foreign adviser in 1986 would have paid fifty to seventy local experts (Mathur, 1986, p. 173).

The OECD reported in 2005 that the overall effectiveness of technical assistance had been subjected to little data based analysis in terms of its cost benefit, its impact on growth, or other financial measures (Greenhill, p. 26) Yet technical assistance remains one of the most heavily used forms of aid. TA accounts for one quarter to one half of all official development assistance (ODA). There have been few systematic attempts to assess the contribution if any of technical assistance to the long-term capacity for development in developing countries, but it is widely agreed that TA has fallen far short of expectation. TA tends to leave little development behind once donor payments cease and in some cases it even serves to erode the existing capabilities of poor countries to determine their own development paths due to approaches that are geared to satisfying donor country demands rather than the capacity building needs of the recipient country (Greenhill, 2006).

Aid Tying

Aid tying signifies that the recipient is in some way restricted in the allocation of financial resources it receives in the form of grants and loans. Aid tying by bilateral and multilateral donors has important consequences for developing countries. Tying aid to specific commodities and services, or to procurement in a specific country or region, can increase development project costs by as much as 20 to 30 percent. The underlying economic and political motivations for tying of aid have indirect as well as its direct costs to recipients.

Do Foreign Experts Really Contribute?

Appraising the UN expert is no longer the exclusive purview of his superiors in the employing agencies (Mathur, 1986). National planners and administrators, scholars and others interested in development problems are observing as well, and country nationals have became increasingly dissatisfied with international experts and the UN system. They question whether technical assistance really contributes to development in a meaningful way. Mathur argued that the development results of technical assistance in Asia were incommensurate with the level of expectation. The approach to development issues of many UN experts and their style of functioning with national counterparts raised questions about their ability to foster development. One former UN official argued that despite looking impressive, UN technical assistance was "only marginal" and countries developed before the UN existed without all the “paraphernalia of technical assistance, seminars, conferences, training programs, and so on” (Mathur, p. 167).

Lack of knowledge and dedication

Changing expectations have increased disenchantment with expatriate experts. Nationals maintain that international experts tend to proceed with their own ideas based on their backgrounds, with attitudes that are unsettling to host government values and policies. Many doubt the capacity of foreigners to comprehend the real development issues and ramifications for the host country and thus question whether experts really contribute or just complicate the development process (Mathur, p. 171).

Nepalese nationals felt UN experts were preoccupied with their own situations—office politics, personal power, and accumulation of wealth—rather than really dedicated to the development task. Experts were employed by donors and directly beholden to their wishes and demonstrated little commitment to the Nepalese efforts. “The busiest days for expatriates were when their bosses visited Nepal” (Mathur, p. 171). Not learning the language of the host country confined expatriate contacts to elite groups in the capital or major towns to the neglect of grassroots development issues.

Complaints of a “pro-consular manner” of behavior that imposed directives rather than consultation and cooperation are common, as are observations of higher levels of living, and paternalistic attitudes (Mathur, p. 172). Local counterparts resent holding subordinate and assistant position, while the foreign experts take over and run projects as an enclave administration. Expatriates appeared unwilling to be integral parts of the team preferring instead to keep to themselves aloof and separate, acting primarily as watchdogs for the funding agency. Experts often perpetuated their positions by slowing down the skills transfer process if it served their purposes. Local experts felt they could do the job at a fraction of the cost of foreign experts. The amount required to pay one foreign adviser could hire thirty to fifty Nepalese. Thus, expatriates represented lost opportunities to local experts.

Nevertheless, foreign experts thrive because international agencies design development assistance packages with tempting offers that make nationals beholden (Mathur, p. 173). National officials highly value study visits abroad, vehicles, and air conditioners. In most countries the salaries of civil servants are incredibly low. The per diem allowances from an international agency for a one-week trip can be as much as a civil servant's monthly salary. Incentives like these in development funding cast a new light on the corruption issue in the Third World. Donor actions and foreign aid itself may well be complicit in the scandal of corruption.

Critical assessments of international experts cannot be the whole story. Experts of course have their own perspective. The failures of some advisors are emphasized and the good work of others is unrecognized. Expatriate experts often work in poor conditions that do not support optimal performance. The new environment and new culture affects their performance. Furthermore, without foreign experts some development projects simply would not proceed. Third World governments are quick to object to any reduction in development assistance. Haphazard and uncoordinated development plans prevent host governments from adequately utilizing expatriate services. If experts do not get the needed logistical and administrative support and there are delays in providing counterpart personnel, skills transfer becomes difficult. The organization of UN agencies compound problems experts in the field face. Recruiting personnel based on geographical distribution makes it difficult to get the best person for the job. Training is not well developed and even when experts are technically proficient they may lack training in sociological aspects of development work.

Problems of UN Coordination

The UN and other international development agencies undertake development efforts with projects imposed from the top. Over the years the UN system has evolved into a large and very complex organization that continues to multiply "in a manner and on a scale for which there is no rational justification" (Mathur, p. 179). The introduction of diverse uncoordinated programs by numerous autonomous agencies distorts priorities in member countries wasting funds and energy. The system is inherently inefficient because all decision-making is centralized at headquarters. Experts lack the authority to respond on their own to host country suggestions for adapting projects or changing implementation. Insistence that recipient countries follow imported models produces management problems and produces poor results. External agencies come up with and impose sophisticated project designs from other settings that LDCs cannot administer or implement and thus flatly resist.

IFI Corruption

Since assuming the post as World Bank president, Paul Wolfowitz has highlighted corruption as a serious obstacle to development, elevating the issue to a World Bank priority. However, some commentators view the World Bank itself as one cause of LDC corruption because of its lending practices to poor countries in the past. Many bank officials, at both the country level and in Washington, DC, were perfectly aware of Bank loans that were simply transferred into the accounts of dictators and their generals. "A leaked 1997 World Bank report" found that as much as 20 to 30 percent of the budgets linked to development funds were embezzled and other reports attest to staff knowledge that fraud was going on and that Bank loans were not fostering economic development (Hurley, 2006). Despite clear awareness by Bank officials that money would be diverted by corrupt elites, loans increased. Most of these debts continue to be serviced today at the expense of essential investments by LDCs toward economic development and poverty reduction (Hurley).

Exploiting development

Norway is one of the first northern countries to recognize portions of developing country debt as illegitimate. A Norwegian development program called the Shipping Export Credit Campaign involved the export of Norwegian ships to developing countries including Ecuador, Peru, and Jamaica between 1977 and 1980. The ships were exported mainly to secure employment and avert a crisis in Norway's ship-building industry. In their agreements with Ecuadorian buyers, the Norwegian authorities demanded state guarantees. When the buyers defaulted after four years, the Norwegians transferred remaining debt to Ecuador. Presently, the value of the country's debt is five times the original amount after 16 years of servicing. Norway's development minister said the lending was a "mistaken and damaging low point in Norway's development cooperation policy" (Hurley, 2006).

Measurement

Myrdal (1970) devoted a book chapter to what he called “the opportunistic juggling of aid statistics” or the twisting of statistics to represent foreign aid as larger than it really is (Myrdal, p. 316). The Organization For Economic Corporation and Development (OECD) include 30 rich and developed member nations. OECD has a Development Assistance Committee (DAC). The statistics assembled by DAC statistics on the disbursement of development assistance by its member governments are almost universally considered to be authoritative and are “relied upon uncritically by economists and other professional students of development problems” (p. 316). Under the table heading “the flow of financial resources,” DAC statistics include all sorts of financial transfers, whether they have the character of aid or not. This fact is regularly and systematically neglected when the figures are used. The “mutation” by which DAC figures for financial flows become development assistance occurs in scholarly as well as popular writings and analyses (Myrdal, 1970). Papaneck (1972) called discussion of the impact of foreign resources on LDC economic growth in early literature “curiously naïve” because of the unchallenged assumption that treated “aid” and “total resource inflow” “as though they were synonymous” (p. 934). Myrdal charged that DAC has done little to prevent the “opportunistic misuse” of its figures and that the DAC practice of simply adding “private flows” to “official flows” supported neither clarity of thought nor honesty. Private flows include a mixed bag of transactions from foreign direct investments (FDI) to export credits often tied to high-priced imports. Similar transactions between developed countries would never be called aid.

An even more serious flaw in the DAC statistics on private flows is the definition of “net values” (Myrdal, 1970, p. 317). Backflows from developing countries account for interest payments on outstanding loans and repatriated capital as reported to the governments of developed countries by their citizens and corporations. Backflows do not include profits taken out of developing countries or capital flight—funds sent out of the country by LDC residents—but they do reckon the reinvested profits of foreign firms doing business in the country as part of private inflows. Thus the DAC statistics which are deemed authoritative leave open the fundamental issue of whether there is really a net inflow at all to many LDCs instead of an outflow.

The various international organizations including the United Nations observe an “interagency courtesy” of not questioning each others statistics and commonly accept each other’s figures without inquiries about the “meaning, relevance, or reliability” of the information (p. 320). Myrdal calls the results of this polite regard “unethical from a professional point of view and in its effects decreases the scientific value” of the research from these organizations.

CHAPTER III

BUREAUCRACY

The number of international organizations (IOs) has proliferated in the past half century. Various political science theories explain the creation of IOs as a response to problems of efficiency and the desire of member states to improve their welfare. The research resulting from these theories however, has paid little attention to how IOs actually behave after they are created. Closer examination would reveal that many IOs stray from the effectiveness these theories impute and exercise power autonomously in ways unintended and unanticipated by their founders. Barnett and Finnemore (1999) argue that the impersonal, generalized rules which define bureaucracies and make them powerful, also make IOs autonomous actors that are unresponsive to their primary missions. Ultimately, power and autonomy leads to inefficient, self-defeating behavior.

Theoretical basis for bureaucratic authority and autonomy

Theorizing about organizations within social science is rooted in either economic or sociological assumptions. The economistic approach views organizations as efficient solutions to market imperfections in which competition and exchange are the dominant features of organizational behavior. The idea that IOs are created to serve state interests and continue to exist only because they fulfill these purposes is unquestioned. In contrast, sociological approaches study organizations in a wider world of non-market situations that include issues of legitimacy and power. Thus sociological assumptions more readily provide reasons why organizations that are not efficient or effective servants of member states might continue to receive support (Barnett & Finnemore, 1999). The sociological basis for understanding organizational autonomy looks for kinds of power and sources of autonomy that economists overlook in the relationship of organizations to their environment (p. 703).

Bureaucracies are created and supported in modern society for their effectiveness in carrying out social tasks. Nonetheless folk wisdom views bureaucracy as inefficient and unresponsive. Bureaucracies are infamous for creating policies and procedures that seem to defy logic, for refusing the requests of those to whom they are officially responsible, and for acting in ways that are at odds with their stated mission. Yet international organizations are simply assumed to be responsive to state interests. The crucial question of whether they actually do what they claim and accomplish their publicly stated missions is rarely investigated (Barnett & Finnemore, 1999).

The view of international organizations as passive mechanisms without independent agendas is neither a reasonable assessment of their status nor is it borne out by research. Beginning with the work of political economist Max Weber, sociologists have explored the idea that bureaucracy embodies certain values, distinct agendas, and behavioral dispositions that are bound up with power and social control in ways that can eclipse concerns about efficiency (Barnett & Finnemore, p. 709). International organizations become autonomous sites of authority based on the legitimacy of the legal authority they embody and on their control over technical expertise and information. In contrast to earlier forms of authority that were invested in an individual leader, modern society deems the authority of bureaucracies as having greater legitimacy.

Legitimate modern authority is vested with impersonal legalities, procedures, and rules. The authority of bureaucracy is held to be "rational" because" it deploys knowledge recognized as socially relevant to create rules" (Barnett & Finnemore, p. 707). The autonomy of bureaucracy derives from its specialized technical knowledge, training, and experience that are unavailable to others. Ironically, the authority and autonomy that make bureaucracies powerful create the appearance that they do not exercise power on their own behalf but only to serve others. Weber acknowledged that the seemingly depoliticized character of bureaucracy "could be a myth" (Barnett & Finnemore, p. 708).

Behaviors that undermine the stated goals of the bureaucracy

Bureaucracies are established to accomplish collective goals. The system in which they pursue these ends "create[s] a cultural disposition toward undesirable and ultimately self-defeating behavior" (Barnett & Finnemore, p. 718). Two features are particularly important. The first is simply the fact that bureaucracies are organized around rules, routines, and standard operating procedures. Second, bureaucracies specialize and compartmentalize to create a division of labor that conserves individual time, knowledge, and expertise. Both features can produce negative consequences. Just as rules can eclipse goals, specialization can limit vision and create subcultures with viewpoints that are distinct from the larger environment. The professional training transmits worldviews and normative commitments which affect behavior in unexpected ways especially when one kind of expertise is concentrated in an organization.

The nature and tendencies of bureaucracy make bureaucracy prone to certain kinds of behavior characterized by researchers Michael Barnett and Martha Finnemore (1999) as pathological. These inherent predispositions intensify within international organizations due to conditions of vague mission, weak feedback from the environment, and strong professionalism. Five mechanisms of pathologies in international organizations follow. First, the process of rationalization or rule-making taken to extremes becomes irrational as the rules and procedures by which bureaucracies function become ends in themselves. Second, the attempt to manage numerous situations at once leads to universal rules and categories that "flattened genuine diversity" (Barnett & Finnemore). Third, exceptions to organizational norms accumulate over time and become the new rule in a process that normalizes deviations from the norm. These mechanisms result from bureaucracy's defining feature as a structure of rules and procedures. The last two mechanisms, in contrast, result from problems of poorly defined organizational mission, weak feedback from the environment, and lack of professionalism. Organizations insulate themselves and develop internal cultures and world views counter to the goals and expectations they were created to serve as different local cultures developed within the organization with overlapping and contradictory preferences (Barnett & Finnemore).

Bureaucracy as Domination

In *Weber on Bureaucracy: Management Consultant or Political Theorist?* author Richard Weiss (1983) takes another approach on the power that authority and autonomy confer on bureaucratic power. Weiss proposes that the generally accepted explanation of

Weber's view on bureaucracy mutes some of the force of its implications. Weiss argues that rather than concern with the difficulties of organizational efficiency or effectiveness Weber's essays are most appropriately understood as "a theory of the character of a system of domination" (p. 243). The central requisite of bureaucratic domination is the classic Weberian concept of "rational-legal legitimation" achieved through the popular perception that bureaucracy represents or is consistent with widely held values.

Weber's familiar categorization of traditional, charismatic, and rational legal authority are the three modes by which a system of domination stakes a claim to legitimacy; yet, it is the administrative staff that represents "most unambiguously the structure of domination: officialdom or bureaucracy" [quoted in (Weiss, p. 245)]. Furthermore "bureaucratic administration means fundamentally domination through knowledge" (p. 245). Foreign aid organizations are prime examples of a having legitimacy by representing widely held contemporary values, and by being perceived as effectively perform a unique service through the use of proprietary knowledge and expertise. In reality, evidence and arguments generally unperceived by the public could support the opposite conclusion—that aid functions as a system of domination in LDCs that is contrary to modern values of justice and fair play.

Understanding bureaucracy as domination rather than efficient organizational coordination implies a very different perspective of organizations as does the concept that legitimating ideas is the other crucial requisite of a system of domination. Weber offers an ironic exception to the rule that bureaucratic administration essentially dominates through knowledge in the following quote. Apparently entrepreneurs alone have the influence to resist domination of bureaucracy over persons.

> "Superior to bureaucracy in the knowledge of techniques and facts is only the capitalist entrepreneur, within his own sphere of influence. He is the only type who has been able to maintain at least relative immunity from subjection to the control of rational bureaucratic knowledge. In large-scale organizations, all others are inevitably subject to bureaucratic control, just as they have fallen under the dominance of precision machinery and the mass production of goods (Weber, 1968, p. 225)" (Weiss, p. 245).

International Organizations

International organizations are involved in the economic development process in several ways: they transfer real resources, offer technical assistance, give advice on development strategy, and collect and collate information (Krasner, 1968). Specialized agencies and other United Nations bodies rely on subscriptions from the wealthy nations of the world to benefit the poor nations. The UN system, World Bank, and International Monetary Fund act as financial intermediaries distributing resources between the developed world and least developed nations (LDCs). The pattern of distribution of these resources is inevitably colored by the development strategy excepted by the governing body of the international organization involved.

These organizations do not simply act as conduits passing aid from one group to another. All international bodies implicitly support particular development strategies by spelling out the way in which real resources are to be used by the recipients or the way in which they are transferred by the donor. While their recommendations "carry an aura of impartiality," in many cases a governing body is more responsive to a particular constituency among its members (Krasner, p. 670). The development strategies which IOs support are based upon economic assumptions which are not always favored by LDCs. IOs act as surrogates for developed nations which dominate the decision-making bodies. Consequently, their policies reflect attitudes accepted by rich nations (Krasner, 1968).

The International Monetary Fund (IMF) was established after WWII with the hope that IOs would play a dominant role in creating a new international economic order. That expectation was not realized. The problems of international commercial relations were dealt with largely by industrialized nations, leaving intergovernmental agencies to concern themselves almost exclusively with the problems of underdeveloped nations. "The IMF could ignore the problems of poor nations only at the risk of finding itself with little real purpose" (Krasner, p. 676).

Krasner points to a basic conflict between the interests of the IMF and less developed nations. The IMF, established before problems of economic development in LDCs were being seriously considered was designed for nations at the same relative stage of development. Its fundamental assumptions may be less suitable in a world order of states at widely divergent stages of growth (Krasner). In the debate over the amount and terms under which resources are transferred from rich to poor nations, international financial institutions have promoted "partisan ideas under the aura of international impartiality" (Krasner, p. 687). LDCs are interested in more goods with fewer conditions through real trade reform—the abolition of tariff barriers on primary goods, in preferences by the industrial nations for LDC manufacturers, and in commodity agreements for primary products. The mechanism of export earnings for LDCs transfer more resources than foreign aid will and help to end the "supplicant-beneficiary relationship which taints bilateral assistance programs" regardless of their magnanimity (Krasner, p. 687).

CHAPTER IV

IMPERIALISM

To explore how imperialistic attitudes are manifested in the structure of foreign aid and the consequences of those attitudes, the mechanism of imperialism itself must first be understood. The ideological justifications on behalf of imperialism, the motives that put it in place, as well as the conditions that perpetuate it once established are key to understanding how imperialism can be carried out with tools other than the traditional military force associated with imperialism in the minds of most people. The imperialism established by nations of western society that flourished under colonialism has parallels today in the global economic system and accomplishes with the monetary system what was formerly achieved through direct force. Foreign aid and international organizations are an integral part of this new imperialism.

The term "imperialism" was coined in France and introduced into English in the19th-century as an allusion to Napoleon Bonaparte. The term "imperialism régime" was meant to describe "a great deal of power held by a central authority, with a corresponding decline of liberty" (Morgenbesser, 1973, p. 4). The term has a rich history and according to reputable historians has changed meanings more than a dozen times. There is an important distinction between imperialism and empire. For example, "imperialistic" may apply to the action taken by a country even though it does not indicate "the intention of the country to acquire an empire or result in helping to build one" (Morgenbesser, p. 10). When the thirteen ex-colonies in America became unified, the result was called an empire, but none of the states dominated the others. On the other hand princes, emperors, and people not organized as states may try to build empires. A corporation, rather than a state, can act imperialistically without being or trying to develop an empire.

> "The term imperialism describes a particular kind of reality, even though it is not the kind that can be statistically weighed and measured. What it denotes is a relationship: specifically the relationship of a ruling or controlling power to those under its dominion. (George Lichtheim, *Imperialism* (New York, 1971), p. 4)" [quoted in (Morgenbesser, p. 11)].

Imperialism can apply to nations, corporations, and individuals. Can the actions of international organizations be imperialistic as well? The critique of American foreign policy in recent years as "aggressive, coercive, predatory, and imperialistic" has also been said about the aid policies of the IMF, World Bank, and other international agencies (Morgenbesser, p. 10). Rather that attempting to define imperialism, author Sidney Morgenbesser (1973), in *Imperialism: Some Preliminary Distinctions*, proposed a set of sufficient conditions for describing imperialism. He applied his model to evaluating overseas investing corporations whose heavy investments in economically underdeveloped countries resemble some of the results of colonization. A modified version of the model could be used to judge the actions of bilateral and multilateral international organizations that essentially perform a function comparable to corporations in providing investment capital for development. Assume that we treat all international aid agencies of the advanced nations S as entity IO, and then we may say:

I/O is imperialistic in U if (but [and] only if)

1. U is a weak state, and IO is economically powerful.

2. IO pursues policies K that are not beneficial for U
3. Policies K accentuate unjust distribution of economic and political power in U, and between U and S.
4. IO would not opt for K unless the benefits to IO outweigh the costs to IO as perceived by IO
5. IO dominates the modern sector of the economy of U. Citizens of U have inferior jobs in the industries or companies financed by IO.

Policy K may also be considered imperialistic (Morgenbesser, 1973, p. 23).

Based on this model, some actions of international development organization may indeed be considered imperialistic. Cases of annexation and colonization were denounced on the moral grounds that foreign rule and domination without the assent of the governed violate their rights to national self-determination. Domination treats indigenous culture as inferior, provides economic advantage for elite enclaves that hurts the economy of the colonized, and accentuates the unequal distribution of wealth and political power between states (p. 16). Colonialism and imperialism humiliate their victims and diminish their chances of becoming viable nations with pride in their cultures. Leader of the People's Republic of China, Mao Tse-tung, once remarked to a delegation of French Algerian nationalists, "the bond that unites us, is that we have both been humiliated" [quoted in (Morgenbesser, p. 15)]

> "More than anything, more even than the enormous material costs of imperialism; it was the imposition of inferior social, and moral status that shaped the reaction of the Egyptian to the European. Actually, the one implies the other: material exploitation is difficult if not impossible without the sanction of a double set of values and a corresponding double code of behavior... the fact remains, however, that in the many-sided impact of imperialism, it is the injury to self-respect that hurts the most, it is the resentment aroused by spiritual humiliation that gives rise to an irrational response to rational exploitation. The apparently unreasonable, and certainly unprofitable, resistance of many of the world's underdeveloped countries today to Western business enterprise makes sense only in this context" (David S. Landes, *Bankers and Pashas* [Cambridge, Mass., 1958], p. 323) [quoted in Morgenbesser, 15).

British philosopher and political economist John Stuart Mill wrote in 1874 that it was "a grave error" "to suppose that the same international customs and the same rules of international morality, can obtain between one civilized nation and another, and between civilized nations and barbarians"[quoted in (Morgenbesser, p. 13)]. Mill's words sound strange in the 21st-century, but the sensibilities that informed his 19th century mindset are embarrassingly resonant in the logic of foreign aid conditionality. Mill reasoned that the same rules cannot be applicable because:

> In the first place, the rules of ordinary international morality imply reciprocity. But barbarians will not reciprocate. They cannot be depended on for observing any rules. Their minds are not capable of so great an effort nor their wills sufficiently under the influence of distant motives. In the next place, nations which are still barbarous have not got beyond the period during which it is likely to be for their benefit that they should be conquered and held in subjection by foreigners. Independence and nationality, so essential to the due growth and development of the people further advanced in improvement, are generally impediments to theirs. The sacred duties which civilized nations owe to the Independence and nationality of each other are not binding toward those to whom nationality and Independence are either a certain evil or at best a questionable good (John Stuart Mill, *Dissertations and Discussions: Political, Philosophical, and Historical*, III, [New York, 1874], pp. 252-253) quoted in (Morgenbesser, p. 14).

These comments are remarkable not because they reflect the prejudices and attitudes of a century and a half ago but because they appear to parallel implications of the contemporary foreign aid regime. While in a 21st century context the quote is not politically correct, the substance of Mill's reasoning is quite analogous to current postures of international financial institutions toward LDCs. Political theorist Hannah Arendt argues concerning national self-determination in relation to international organizations:

> No nation state could with a clear conscience ever try to conquer foreign peoples, since such a conscience comes only from the conviction of the conquering nation that, it is imposing a superior law upon barbarians. The nation, however, conceived of its laws as an outgrowth of a unique national substance which is not valid beyond its own people in the boundaries of its own territory. Wherever the

> nation-state appeared as conqueror, it aroused national consciousness and desire for sovereignty among the conquered people [quoted in (Morgenbesser, p. 14)].

The term economic imperialism represents a point of view that modern foreign and colonial policies obey the dictates of capitalist interests. Marx said,

> If the free traders cannot understand how one nation can grow rich at the expense of another we need not wonder, since the same gentlemen also refuse to understand how within one country one class can enrich itself at the expense of another, [Karl Marx, The Poverty of Philosophy (Moscow, n. d.), p. 223] quoted in (Morgenbesser, p. 26).

Some argue that governments and national economies did not benefit from empire, but profits did accrue to specific groups within the imperialistic country. In these groups—the capitalists, industrialists, and the bankers—control the levers of political power. Likewise, neo-imperialism does not depend upon formal political domination. "It can be implemented through international organizations such as the International Monetary Fund which may act as the colonial administration entrusted with the responsibility of enforcing the rules of the game" (Dorner, 1973, p. 347).

Aid as Imperialism, by Teresa Hayter (1971) is a liberal critique of aid policies that attempted to expose the inconsistencies and conflicting motivations of international financial institutions. Her 1971 study concerned their efforts to influence general economic policies in developing countries. Hayter proposed simply that if the idea of conditionality was to be generally accepted by aid providers, it should be more carefully examined. She argued that the "leverage" that was becoming quietly accepted policy at the time went beyond influence and persuasion to condition aid, explicitly or implicitly, on specific host country action. According to Hayter, when she was a staff member of the Overseas Development Institute (ODI), an independent non-government body seeking to ensure wise action in the field of development, the possibility of aid as "merely the smooth face of imperialism" was not even considered among the research staff (Hayter, p. 7). They basically assumed aid was good and that its major objective was the well being of Third World peoples.

In *Foreign Aid – A Critique and a Proposal*, A. O. Hirschman (1968) and co-author R.M. Byrd discuss some of the disadvantages of the program aid approach as it relates to the diplomacy of the aid process. Program aid is usually given in connection with conditionality on the central economic policies of the recipient. The implication of superior knowledge by donors on the matters that are typically the subject of negotiations can prove highly irritating to the recipient. Furthermore, a country that allows its economic policy to be decided by international agencies finds itself in "a semi-colonial situation" and is likely to engage in indirect resistance. Additionally, the nature of the aid relationship commonly entails a gap in the respective levels or ranks of those who actually negotiate between donor and recipient that can be irksomely wide. Hirschman argues that program aid creates resentment by re-erecting a typical colonial situation in which the recipient country leadership have to deal as equals with, and often feel that they have to take orders from personnel, who "within their own country are miles away from the seat of power" (p. 13).

C. Montrie (1973), from the Agency for International Development (AID) responded to the appraisal in a journal article "The Organization and Function of Foreign Aid" , stating:

> If country officials feel that they are caught in the colonial situation, they are more likely misinterpreting the meaning of their political, economic, or merely financial insolvency. If they are helpless, it is most likely because the country's policies or politics have made them so. The manners and rank of aid officials they are forced to turn to are distinctly a secondary problem. There are worse problems than personal resentment (p. 703).

The tenor of his comment underscores Hirschman's argument that donor attitudes provoke recipient resentment as do the following remarks: "those officials who are forced into [change] might even be happy to do it," and "the complaining opposition secretly might be pleased to get the nastier job done before it has to take power"

The benefactor supplicant relationship that aid engenders is a serious concern that cannot be dismissed lightly. Myrdal called the aid policies of developed countries toward underdeveloped countries a crucial political problem that at bottom was a moral issue. "The primordial problem is how people in the developed countries *think and feel* about helping under developed countries in their development efforts" (Myrdal, 1970, p. 310).

The attitudes within the international organizations manifested by current policies of conditionality toward developing countries have historical roots. In 1956, then U. N. Secretary-General, Dag Hammarskjold initially suggested the establishment of a United Nations "international administrative service" to address the shortage of trained public officials in underdeveloped areas. He believed that unless personnel from outside these countries were secured, their development plans would be seriously impaired during the crucial "take-off" period.

Hammarskjold envisioned a pool of highly competent administrators recruited on an international basis, who possessed the influence and authority to implement their own recommendations, pending the gradual training of national officials capable of replacing them. The gist of the plan was for foreign administrators to gain maximum integration into LDC governments while retaining their international status. In *Considerations on International Administrative Service* (1959), author Georges D. Landau acknowledged that finding an historical instance "quite coincident" with the Secretary-General's proposals of international agents administering the affairs of sovereign nations would be difficult (Landau, p. 49).

Nevertheless, the proposed UN solution to "the dearth of native officials that could be entrusted with [development] programs" in most underdeveloped countries was to graft experienced foreign functionaries recruited through United Nation's sponsorship into these "incipient administrations" (pp. 56, 57). It would be unfair to anachronistically apply current values and attitudes to ideas expressed over forty years ago. In any case, these statements convey astonishing hubris even for the context of 1959.

Between 1951 and 1952, the Bolivian government acceded to UN experts and agreed to appoint foreign administrators to specific posts of "influence and authority" within the country's administration. The experiment was a short-lived. Political unrest and a subsequent uprising in 1952 brought a new president to power who revised the arrangement. The new Bolivian leader declared that allowing foreign personnel to have executive decision-making authority in the country's administration was "incompatible with national sovereignty" (p. 50). A UN official described Bolivia's experiment as "surely not… an unmitigated success in every respect" (p. 56).

For some time prior to 1956, the UN Technical Assistance Administration (UNTAA) had provided assistance to LDCs that focused on the procedural aspects of public administration that were essential for implementing policy—budgeting, finance, personnel management, organization and methods, procurement, and documentation—instrumental to smooth government operations. The International Administrative Service, however, aimed to place foreign experts in charge at the highest and intermediate levels of government hierarchy in LDCs both in procedural and substantive operations.

According to the UN Secretary-General, his plan was a response to the urgent need LDCs felt for competent administrative personnel proficient enough to handle “the cumbersome machinery state” until local administrators could acquire the necessary know-how to assume its management themselves. The Secretary-General estimated that process would require a generation (Landau, pp. 49, 55).

The claim that LDC governments were eagerly seeking a program of UN provided leaders that was “certain to evoke a warm response” was not born out by the responses of LDC leaders. When the draft proposal came before the Assembly Council (TAC) the response to the idea of “alien personnel” was overwhelmingly unfavorable (p. 56). Reactions ranged from hesitation and reluctance to outright denunciation calling the plan a channel of “neo-imperialism” (p. 57) In addition to grave misgivings about the capacity of foreign administrative generalists to understand their societies and make satisfying plans for their countries, the very notion of entrusting agents of an international organization with executive powers within their states “frontally collided” with the fundamental principles of nonintervention by the UN in the internal affairs of member nations (Landau, p. 57). Such intervention was deemed inexcusable even on the grounds that the state itself requested the intrusion, perhaps after some insistent UN prodding.

Schemes recommending the employment of international personnel to implement LDC development date back to 1949. These proposals were chiefly concerned with modes of financing economic development plans but also called for the provision of technical and scientific experts. The International Administrative Service, however, embodied more than technical assistance. It envisioned a nucleus of international experts composed of both professional officials and specialists. Appointment to this elite cadre would be reserved for only a small quota of the total number of experts employed by the participating UN organizations and would expire when the holder reached age sixty.

There were several problems at the time of recruiting administrators from the "top echelons of the administrative hierarchy including the scarcity of available personnel, the likelihood that available personnel would be of mature age, and the probability they would come from former colonial administrations. The proposal did not address itself to the possible source of such a pool of high-ranking, experienced, and versatile international administrators. Furthermore, their relationship with the host government would be of a privileged contractual nature with substantially better pay than ordinary officials—creating circumstances ripe for resentment on the part of collateral and subordinate officials of host government, thus limiting the cooperation that would be expected. The value and prestige of experienced elderly functionaries would be offset by a range of problems of adapting to new environments.

A key feature of the United Nations plan for foreign administrators is their employment by the host country as members of their civil service raising legal questions in addition to issues of effective integration into the country's public service. According to the International Administrative Service plan, in addition to their function as heads of executive branches, foreign administrators were to train local officials through establishing appropriate institutions as well as in-service training. Landau (1959) proposed adapting the plan by posting promising *young* experts in public administration trained under international auspices to technical assistance missions. This raises the obvious solution of simply training country nationals who would learn by doing and from making their own mistakes, a prerogative to which development status entitles them.

In addition to the UN recommendation for career executives, there was a characteristic UN proposal to establish a brain-trust and clearinghouse for information at headquarters. Landau (1959) regarded these knowledge activities as the outstanding feature of the scheme. The contemplated arrangement contrasted with other recommendations for a small clearinghouse at the regional level. This reference service was to resemble the U. S. International Cooperation Administration (ICA) with "an organizational chart of dual relationship between functional offices and regional directorates" (p. 66). The author admitted that a less elaborate apparatus could be accommodated within UNTAA. The recommendation for a clearinghouse of information illustrates the typical UN preference that avoids the practical for the grandiose ignoring the concept that increasing the size of bureaucracy increases inefficiency and costs.

An alternative program model operated through the Institute of Inter-American Affairs (IIAA) was known commonly as Servicios. These semiautonomous units were set up by mutual agreement in bilateral partnership with the U. S. to foster the economic and social development of the host country. The purpose of the cooperative undertaking was to train nationals to take over responsibility as early as possible. Semiautonomous operating units are headed by a national director and a US co-director who have effective mutual veto power. The assisting American co-director was responsible to the appropriate state minister of the host government and to his own superiors in the U. S. Government. The units were endowed with power to manage services on the ground—personnel, bank accounts, administrative procedures—and there were no two identical services; each country service was established *ad hoc*. The US assistants were by and large people of demonstrated competence.

While the program is not without problems, the advantages of the system were numerous, the primary one being provision was made for training local officials in the actual operation of projects. The structure was versatile and the “functional mimetic” extended beyond operations to the economic planning phase proper. The focus of Servicios was hands-on training of nationals versus bureaucratic oversight proposed by the International Service Administration. The program model was being introduced in five Middle Eastern countries by request, and several Asian countries were examining the program with interest.

Remarkably, Landau (1959) concludes that these programs, conducted on a bilateral basis, could be run more optimally by international organizations because the neutral character of multilaterals would make them more palatable to governments that might otherwise resent intrusion of foreign administrators. In an even more remarkable display of complete indifference to expressed LDC opposition and sensibilities, the author expresses hope that “narrow minded... nationalistic excesses” will not hinder progress in developing the “Executive Operations Service” (p. 68).

Landau's remarkable conclusions illustrate part of the problem with thinking and attitudes of international organizations. He overlooks the obvious fact that countries themselves were requesting the Servicios program because they found it a successful coequal partnership between host nationals and assisting country personnel, in contrast to the UN International Service Administration proposal. The program provided autonomously flexible management without imposing a humiliating hierarchy. It focused on partnership and training nationals to take charge rather than putting foreigners in charge.

International Financial Institutions

The World Bank's perspective towers. Its funds, publications, and professionals dominate. “If the bank merely represented abstract reasoning, it could be ignored, but the programs IFIs [international financial institutions] imposed on African countries have consequences for national sovereignty, economic development, and human well-being” (Riddell, 1995, p. 260). From the perspective of the majority of African citizens, the bank has mis-specified African economic reality and its “prescriptions will kill rather than cure the patient” (p. 262).

The political economy of African nations has changed. In the 1960s and 1970s the State was the key actor attempted to overcome colonialism and combat neocolonialism. By the late 1970s, the local state's role was gradually preempted by IFIs in the global economy. The African State became less and less able to deliver services during the 1980s and 1990s, economies withered and the cost-of-living soared. The bank operated by rules of international economics and a simplistic understanding of how the African state operates. Consequently, the bank model of the role of the state in the economy was incorrect for many African countries.

Inappropriate model specification leads to false conclusions. The bank's unit of analysis is countries, but “people live at the micro level, where the facts of starvation, sickness, death, poverty, ignorance, and economic failure dominate—where the world has “fallen apart as another wave of imperialism hits the African shores, this time led not by colonialism, but by the “magic” of the market (with the bank and the IMF as facilitators)” (Riddell, p. 264).

The centrality of the state is apparent, but the Bank has weakened African states through conditions that diminish their economic role even while it needs a strong state to enforce those conditions. In most countries some combination of uncaring, corrupt, inept, repressive, and unaccountable leadership has replaced democracy. Since the Berg Report in 1981, reams of Bank-produced documents state the need for Africa to adjust. They have been countered in kind by criticism of the Bank's mindset and policies, criticism that has been ignored. Instead, the Bank behaves like "an organized and bureaucratized religious body" that alone knows the truth. Besides, it has the power and the money. Meanwhile the people of Africa suffer. "Indeed, fifty years is enough" (Riddell, p. 264).

Structural adjustments have become the source of a power struggle between the institutions established at Bretton Woods and African leaders. I agree with Prempeh (2001) in his article "The Politics of One-Sided Adjustment in Africa: A Response to Professor Osabu-Kle" that African leaders must throw off the narrow dependency debate and gain new insights, or otherwise risk redundancy and adding very little that is new to the current debate. Osei Kwadwo E. Prempeh, assistant professor of political science at Carleton University argues that the most powerful western states champion adjustments to satisfy their own interests and that the lack of accountability in the Bretton Woods institutions raises the issue of good governance. He believes that transnational civil society must seek a more consistent and systematic way to press the issue of good governance on IFIs. The issue of adjustments exposes a global governance problem within the IFIs and questions of accountability, representative democracy, transparency, and global distributive justice. The issue of adjustments needs to be situated within questions about the functioning and legitimacy of IFIs. The prevalent notion of the superiority of recommended structural adjustments to other alternatives has to be challenged (Prempeh, p. 566).

Some theorists attribute Africa's economic crisis to misguided state interventions in the market. Allowing markets to operate freely, emphasizing markets in trade liberalization, and attention to macroeconomic indicators is the recommended solution. Adjustment as at heart a political power struggle (Prempeh, 2001). The short term prescriptions of the IFIs have been inappropriate and one-sided, with negligible impact in improving African economies. African populations have been compelled to undergo suffering that achieved very little. There's not much evidence suggesting that adjustment fosters policy reform and economic growth. Countries that do not accept the IFIs bitter medicine are subject to punitive sanctions that will necessarily affect their economic performance.

International financial institutions embody a double standard in the assumption that a politically distorted world market deeply characterized by protectionism is an arena for setting the right prices. Their eyes are closed to market failures in the West that encourage western governments to institute welfare benefits. IFIs compel African states to remove all government subsidies and expose African populations to untold hardship and marginalization. Meanwhile, they ignore the hypocrisy of national subsidies to western farmers, monopolies, oligopolies, welfare and unemployment benefits, and protectionist barriers; all of these are measures based on political decisions that distort both labor and commodity markets (Prempeh, 2001).

Western nations practice trade protectionism and use monetary and fiscal policy to defend their national interest. But only the neoliberal agenda is recommended for poor

African states. IFIs urge countries to privatize, but in most cases enterprises are sold off to foreign buyers with very little domestic ownership and unless the government reverses its current privatization policy, the economy will be dominated by a small cabal or cartel of insiders and their foreign and domestic cronies. According to the prevailing orthodoxy, the theory of comparative advantage and unbridled free trade is supported by newly industrialized states of Southeast Asia. This interpretation of the newly industrializing country's (NIC) experience is not supported by evidence. The Asian Tiger's relative success came about through more, not less government intervention (Prempeh, p. 571).

African elites champion the alternative self-reliance framed around the need to question the neocolonial nature of the economy by deemphasizing its export orientation, and starting to produce more items dictated by internal needs. They claim that African development should be guided by African values to ensure that the development process is internally generated and sustained. However, this alternative underestimates the contradictions within and between African states, and most critically, it still depends on transfers of financial resources and technological know-how from developed countries, and fails to address the politics of its implementation. Essentially, the alternative relies on external financial resources to finance a counter-hegemonic project. Furthermore the interests of so called "benign African elite" are at odds with those of the masses, and conditioned by their own class interests. Many African leaders risk deemphasizing the real inequalities, differences, and lack of political will that persists among African leaders. Prempeh argues that the fundamental question is how to include new voices in the emerging debate over alternatives on a transnational basis to challenge the neoliberal project of the IFIs.

I argue that trying to reform the ills inherent in bureaucracy would be a futile endeavor. There was no history of trying to reform autocratic rule except as a transition to some other kind of rule. Control and domination based on autonomy and power can only be transformed. Bureaucracy can be reformed only by a process of transformation to some other kind of rule. Another mechanism must be found for performing the useful tasks with which bureaucratic management interferes.

Two issues central to Africa's economic recovery are progress of local organization to empower communities to oppose neoliberal economic order and alliances with progressive forces worldwide to demand reform of IFIs in line with good governance. I argue it will be ineffective to call for organizations to reform that already possess power and autonomy based on their perceived consistency with widely held foreign aid development values, and the fiction that they are apolitical. Their legitimation is not based on ideals of accountability, transparency etc., it is based on domination through knowledge and expertise.

Again Prempeh insists that at the root of this approach is the design for a world financial system that is more balanced, accountable, and participatory and less tilted to the interests of big business in rich nations. Prempeh quotes writer Noam Chomsky commenting on the Seattle protest during the 2000World Trade Organization summit. The event was significant because constituencies rarely interrelated in the past came together in opposition.

> Those thinking about the issues ranged from being disturbed to being strongly opposed to them, primarily to the sharp attack on democratic rights, on the freedom to make your own decisions and on the general subordination of all concerns to the primacy of maximizing profits and domination by a very small sector of the world's population. If the popular reaction in this case takes an organized, constructive form, it can reverse the undemocratic thrust of the

> international economic arrangements being foisted on the world [quoted in (Prempeh, p. 578)].

The politics of adjustment is situated in the historical context of the evolving African history of slavery, continued economic weakness, and the subordinate role of African countries within imperialism and neocolonialism. However, discussions of adjustment can no longer be confined to African states and their elites. There is a role for domestic and transnational civil society, in transcending the dynamics of power and inequality. The debate must be truly inclusive, incorporating the voices of the affected people of Africa.

CHAPTER V

CASE STUDY

The RALFIS Evaluation Report

In 1996, a three person mission evaluated the UNIDO sponsored Regional Africa Leather and Footwear Industry Scheme (RALFIS). Based on field visits to four of the ten participating countries in Eastern and Southern Africa, the mission concluded that RALFIS had addressed the development needs of the target beneficiaries of the program including institutions, industrial companies, and extension services for hides and skins. The team further determined that the UNIDO input of experts, training, and equipment had been managed efficiently and with few complaints concerning quality. Closer inspection of the 157 page document (UNIDO, 1997), however, revealed information and observations that provide grounds for disputing these claims. Evidence of the major criticisms leveled at IO-sponsored development efforts surfaced in the report including overpriced inputs as a result of aid tying, inefficient use of manpower, preference for expatriate experts over national and local experts, remote management, tied procurement leading to unsuitable, overpriced equipment, little sustainable transfer of knowledge and skills, condescending attitudes among international experts, focus on top down management, and disinterest in broad-based development.

The first phase of the Africa leather program was conceived at a UNIDO consultation on leather in Innsbruck, Austria, in 1984. A description of the meeting revealed that no donor funds were mobilized and therefore the program could not be implemented. There was no mention however of any representation or input from the African leather industry into the project. Phase 1 was considered the pilot scheme, and was eventually implemented between 1989 and 1992 for approximately $13 million. Phase 1 focused on raw materials and semi-processed leather products; but a financial incentive and a grading system was not implemented due to the costs involved and a change of priorities (UNIDO, p. 16), even though price level is “the key factor influencing the quantity of the collected hides and skins” (p. 42).

The program management mobilized a budget of $10.6 million for Phase 2. Phase 2 emphasized leather finishing, effluent treatment, and manufacture of footwear and leather products. Neither Phase 1 nor Phase 2 dealt with rural tanning ostensibly due to its limited importance in the participating countries. However, it was duly noted that program officials did not wish to promote rural tanning because it would not employ industrial processes and effluent control” (UNIDO, p. 15). Missing from the logic was the often repeated objective of reducing poverty by supporting rural enterprises in the leather supply chain. Ecological concerns overrode the stated economic goals of the program.

Before analyzing the RALFIS mission report, by way of context and to draw an analogy, I will consider three necessary conditions that growth theories incorporate regarding markets, entrepreneurs, and capital. In Theories of Economic Growth and Development: Methodology and Content, author Sherman Robinson (1972) states these conditions. In order for economic growth to occur:

1) Profitable opportunities must exist for producing outputs whose value exceeds that of the inputs—the definition of growth;

2) Individuals or groups with the information and motivation to exploit the profitable opportunities must exist;

3) Capital to exploit the profitable opportunities must exist and individuals must be able to divert adequate resources to exploit the potential innovation.

An analogous foreign aid pattern—Model A—leading to growth would be:

1) Donor initiated programs assist recipient to exploit development opportunities;

2) Aid provided foreign experts assist recipients to exploit development opportunities;

3) Aid provided resources of tied goods assist recipients to exploit development opportunities.

Whether or not these conditions are really equal to what growth theories predict will result in satisfactory growth is one question. Another even more pertinent question is whether these conditions are the ones that actually occur in aid assisted development. Suppose that rather than development *per se*, the aspiration for development is the profitable opportunity, and that development programs themselves rather than successful development outcomes are the output of aid assisted development. Then the growth paradigm—Model B--could be expressed as follows:

1) Development aspirations are profitable opportunities for initiating programs whose overall value—in absorbing surplus capacity and supporting donor industries—exceeds that of the inputs of foreign aid funding including TA and tied goods;

2) Development experts are available with information and motivation—salaries and benefits far in excess of market rates—to exploit the profitable opportunities;

3) Excess financial capital and surplus industrial goods as foreign aid sources can be diverted to exploit the profitable opportunities of development aspirations.

Model B offers a plausible explanation for some puzzling features of much foreign aid, such as the limited development results that have gone uninvestigated and continued donors funding in the face of seeming aid ineffectiveness. Why do ineffective development programs and the agencies that produce them go on proliferating? Donors fund selected programs ostensibly justified by recipient development needs, but in reality program inputs of TA and tied goods that reflect donor comparative advantage in reality suppress recipient development. Often program outputs do not profit the recipient and are unrelated to their development needs. On the one hand development failure, usually attributed to recipient limitations, justifies and necessitates further donor involvement, thus expanding profitable opportunities for future programs. On the other hand, donors are accountable to no one for successfully fulfilling or not achieving development objectives.

Robinson's growth scheme implies that national entrepreneurs should be the primary actors in LDC development. In reality, donor selected experts are the primary actors in aid promoted development programs. Model B implies that expatriate will be the primary actors in spearheading development programs and activity. If Model B is genuinely at work, three additional predictions should hold:

1) Donor priorities will have precedence over recipient priorities;

2) Program priorities will have precedence over the development priorities; and

3) Priorities of foreign personnel will have precedence over country national priorities.

The remainder of this chapter analyzes the RALFIS evaluation report in two ways: 1) contrasting the stated achievements in the opening summary with actual results stated elsewhere in the report; and 2) numbering each item in the summary and assigning it to a category in Figures 4a and 4b of "Achieved Priorities" and "Unachieved Priorities" for donors or recipients, program or development, expatriates or nationals. If a summary achievement placed in Figure 4a is contradicted later in the report, then the bolded number is repeated in Figure 4b.

Summary of Achievements

1. Good results in rehabilitating tanneries and establishing effluent treatment plants
2. Good results achieved in supporting gender issues were addressed intensely in training women, and promoting female professionals
3. Increased availability of locally produced finished leather of good quality
4. Upgraded quality of shoes produced in some companies (10 countries supported by the program produce approximately 15 million pairs of shoes (p. 12)
5. Pioneering accomplishment of exported shoes though quantity and value are modest (in some leather companies the impact was rather marginal)
6. Efficiency, effectiveness, and impact of the program input-output linkages and synergy
7. Less evident results in generating new job opportunities for women
8. Less satisfactory improvement in skins and hides

9. Significant impact *will* occur in the elimination of effluents once all the plants are fully operational. The efficiency will be comparable to European standards
10. None of the supported institutions achieved sustainability in financial terms
11. Repayment discipline needs to be improved
12. Did not implement a financial incentive and grading system (p. 15)
13. Systematic training for the local counterparts and national experts in UNIDO in the UNDP was not conducted (p. 16)
14. Unsuccessful promotion of industrial cooperation with overseas partners (p. 16)
15. Lack of follow-up was due to the costs involved, changes in priorities, or factors beyond the program management control (p. 16)

Conclusions and Recommendations

16. Good results achieved thanks to a stable core of competent experts and the devotion of the program management. The program merits funding and continuation
17. Pay greater attention to activities at the policy level for cleaner production and solid waste management
18. Downplay program involvement in the construction of slaughtering slabs and sheds, and focus rather on policy advice and training

Key industry factors

The core of the leather industry is represented by the following sub-sectors: raw hides and skins production, collection, and commercialization tanning and leather finishing manufacturing leather products: footwear and other leather products. The foremost difficulty facing the leather industry is the problem of skins and hides including low off-what take rate, damaged hides, and skins due to disease, brand marks, and ground drying (UNIDO, p. 12). This single fact is repeated in reports over the last 20 years.

Technical Assistance

Most of the experts were recruited from overseas and consulted on a "roving basis" in more than one country shortening their stays at some companies to the regret of target beneficiaries. In general, beneficiaries were satisfied with the competence of the experts and the quality of their work. In a few cases "the expert's advice on effluent treatment might not have been properly articulated to be absorbed easily" (UNIDO, p. 19). Some African experts were employed. "This practice turned out to be both efficient and effective and should be extended" (p. 19).

Training

One hundred forty-two people participated in fellowships and study tours and foreign trade fairs. Five individuals were involved in two events. Most training took place in Kenya, Italy (19), Zimbabwe (12), Germany (11), and Ethiopia (10). Training cost was less than ten percent of the RALFIS program budget (Appendix Table 5).

Tying Procurement

Equipment accounts for 34% of all expenditures. A significant portion was used to establish effluent treatment plants that benefited four tanneries. The mission found the percentage of funds allocated to effluent treatment plants (ETP) “out of balance with other objectives” (p. 20). While most of the equipment was in use or under installation, the mission recognized there was no guarantee the delivered equipment would be used. Small entrepreneurs had problems either installing the equipment or making full use of its capacity. The mission report declared this was due in most cases to factors “*beyond the control of program management*” for example, customs clearance. In one case, effluent treatment equipment provided by the project was installed on time, but *the beneficiary* allowed the installed ETP equipment to be “idle for more than two years” (p. 20). Program related problems included delivering equipment to the wrong beneficiary, and selecting equipment unsuitable to the entrepreneurs’ requirements. For example, obtaining new machines from the same manufacturer of machines already in the fleet facilitates maintenance and access to spare parts.

One entrepreneur considered the machines provided by the program too expensive an investment. This transaction involved equipment costing $84,000. The mission evaluated the situation as follows: A lesson should be learned from this experience: the selection of material must be done in full consultation with the target beneficiary and with due consideration of its technical, infrastructural and market conditions and manpower qualifications. UNIDO rules and regulations on procurement should be reviewed and, if needed, modified in order to allow the target beneficiary to be co-responsible for the selection of equipment.

The situation seems to fly in the face of common sense to say nothing of development theory, or a reasonable expectation of efficient and effective capital formation. The idea of business decisions made remotely by bureaucrats located thousands of miles away makes little sense from a business perspective. The UNIDO mission team concluded that: 1) the role of equipment and hardware was over-estimated and that of human resource development and organization underestimated; 2) in most cases, the balance among the inputs of this program was quite reasonable due to rather heavy input of expertise, using the experts on a roving basis; and 3) perhaps the only element which was inadequately covered was training and advice on company management. For an agency that has been overseeing development for more than four decades, this evaluation is mystifying. The program structure hardly reflects forty years of development experience in working out the basic balance of inputs, by the mission team's own analysis, yet the program management was commended for the project.

The program consisted of a set of projects supporting different development partners and beneficiaries in different sub-sectors to address issues in one or more of the program components and objectives as follows: Program Management; Hides and Skins; Private Industry Development; Environment Protection; Gender Development; Institution Development; and Marketing Development.

The program manager, a Senior Industrial Development Officer assisted by another professional at UNIDO headquarters and the Chief Technical Adviser (CTA) stationed in Nairobi comprised the project management. When the program manager retired, his role was filled "by one professional staff only" (UNIDO, p. 23). The CTA was responsible for organizing, supervising, and coordinating activities in the field and planning the delivery of project inputs. His role was lessening and the full-time arrangement *was to be replaced by a part-time one*. National counterparts promote, coordinate, and administer project activities in the country level. Some countries had two national experts. The mission recommendations for utilizing national experts were as follows: the involvement in substantive activities of the project should be enhanced; however two national experts could not be justified since “administration of project activities [was] hardly a full-time job” (UNIDO, p. 23). Additionally, the earnings of expatriates at a UN salary scale were “far above the national salary scales” which created difficulties in establishing working partnerships within the country.

There is a remarkable double standard for the number of nationals and expatriates and salary expectations. Ten countries participated in the UNIDO RALFIS program, so at most, there were 20 national administrators. In contrast, fifty-eight foreign experts were fielded during Phase II from 1994 to 1996 (see Table 6). Their employment, stated in terms of man/months varied from half a month to almost three years, however more than half of the experts consulted for less than three months. The program expenditure for 440.3 man/months of foreign experts totaled $3,980,512. The average salary per man month was $9,047—equivalent to $11,643 in 2007 constant dollars or an annual salary of 140 K.

Phase 1 was implemented in coordination with FAO and International Trade Center (ITC). Phase 2 was implemented without formal involvement of FAO. Cooperation with ITC ended in 1995. UNIDO program management felt cooperation limited rather than generated added value and involved high administrative costs. However, the program management believed that ongoing information exchange with FAO and ITC would prevent unnecessary duplication.

Hides and skins component

The purpose of this component was to improve the quality of hides and skins and increase their collection in selected areas by: 1) supporting extended service training in methods of slaughtering and leather handling; 2) constructing demonstration slaughter slabs and curing sheds; 3) introducing a Quality Grading System as well as advising on a motivational system for applying it; 4) and statistical monitoring of the quality and quantity of skins and hides. The results achieved on this component were "rather dubious" (UNIDO, p. 40). This component was arguably the most important. Innumerable studies have repeated that the quality of leather begin with animal husbandry, slaughtering techniques, and collection methods. Yet, this component seemed to hold the least interest for the UNIDO program.

Government decentralization and the decision to delegate extension services to regional authorities makes it difficult to maintain hides and skins extension services at the previous level, therefore nationals particularly welcomed project support in this area. The mission evaluation, which generally seem to view extension services as a nuisance dismissed the request stating that the project could not extend the support of regional authorities to the extension services in the whole country" (UNIDO, p. 40). The following observations were noted: equipment selection was problematic; flaying knives delivered to regional authorities were not distributed to potential users and their current location was unknown; the effectiveness of training could not be established; and extension officers complained of frequent staff turnover among flayers due to low salaries.

Local knowledge and expertise dismissed and devalued.

The construction of slaughter slabs and sheds was behind schedule and less than planned in terms of the number to be constructed or rehabilitated. Design and specification changes required approval from Vienna making implementation "rather cumbersome" (UNIDO, p. 41). Slab construction costs were increasing. *Ownership* of the slabs and sheds was not in the hands of the users, resulting in little motivation or responsibility for facility operation and maintenance, thus diminishing project sustainability. Local professionals however could acquire information about the design and construction requirements and replicate the structures within the country themselves. Application of the grading system developed by UNIDO under Phase 1 was limited. The evaluation mission recommended a study to make recommendations for mechanisms of motivating and enforcing pricing by grades.

The impact of the project on the quantity and quality of collected hides and skins varied among the four countries visited but overall was considered modest. However, the evaluation mission felt the evidence indicated that both the extension services and the demonstration effects of slabs and sheds can only play a supporting role in the hides and skins improvement.

The key factor influencing the quantity of the collected hides and skins is centralized slaughtering and pricing which would require considerable investment. The mission recommendation was that program play a significant role in this field by acting as a catalyst in the search for policy solutions (UNIDO, p. 42). Simple solutions such as building more sheds that the country can handle as previously noted are regarded undeserving of UNIDO attention which should focus rather on grand schemes requiring considerable investment and significant roles for international agencies as catalyst in policy solutions are always preferred. The problem is that a top down approach rarely addresses or results in basic development.

The evaluation mission felt that extension services and the demonstration effect of slabs and sheds played only a supporting role in the improvement of hides and skins. In reality, the key factor influencing the quantity of collected hides and skins was the price level and that in turn was influenced by centralized slaughtering and pricing of the hides by grades. Development priorities dictate an increase in centralized slaughtering and the introduction of pricing by grades, while the program priority expressed by the mission team was to play significant role as a catalyst for policy solutions. The mission granted the need for investment in centralized slaughtering and introducing a system of pricing by grades. Nevertheless, its recommendations included downplaying UNIDO involvement in the construction of infrastructure (slaughtering slabs and sheds) and gradually passing on such activities to national associations. The program role should be advisory and training support to policy bodies and extension services in making the pricing and procurement system more effective.

Comments containing the words motivation or motivational occurred seventeen times in the mission evaluation. These statements offer noteworthy insight into criticism of expatriate attitudes and manner. Of the ten concerning the program, four were recommendations for the program to institute a motivational system, four were compliments of the programs impact on trainee motivation, and two noted a program feature that diminished motivation. The seven references to recipient included five observations about a lack of staff motivation. Two references were made in the following contexts:

> The drying shed related to the slaughterhouse was in use but the worker started suspending the hides more than 4 hours after the slaughter and his handling of the hide (holes for the rope unnecessarily too large) prompted comments to which, however, he did not react. Apparently training alone without proper motivation is not sufficient to improve quality of hides and skins.
>
> There were also complaints by the extension officers that the butchers and flayers did not follow the instructions and advice given during training seminars and about frequent staff turnover among flayers due to low salaries. Apparently training alone without proper motivation is not sufficient to improve quality of hides and skins (UNIDO, 1997, pp. 41, 97).

The first situation and both observations arguably demonstrate an air of condescension to which the mission evaluator appears to be insensible. It is easy to imagine unsolicited advice from a foreign visitor putting off even a highly motivated individual. A dynamic other than the lack of motivation was very likely at work in the interaction.

Environment protection component

The purpose of the environment protection component was to improve tannery effluent treatment and waste management capabilities by introducing environment friendly technology. However the actual output dealt only with establishing effluent treatment facilities.

Four tanneries in Tanzania received UNIDO-provided effluent treatment equipment. The report emphasized that ETP equipment arrived at Morogoro “in due time” even though it was not operational because incongruously, basic tannery equipment for the plant had not yet been obtained. At Mwanza Tannery, ETP equipment was delivered but not yet installed due to difficulties adapting the civil works. The UNIDO provided aerators needed modification and the expected results would require further improvements. The tannery at Moshi was in the process of installing the new equipment but aeration system clogged rapidly due to an inappropriate type of diffuser. Contrary to the claim of "good results in rehabilitating tanneries and establishing effluent treatment plants," program equipment that represented 68% of the aid funding to Tanzania, at a cost $389,365, produced absolutely no development results for the country.

The report stated that little work was done in solid waste management either for safe-disposal or solid waste recovery and suggested this issue be addressed in the next program phase because recovering of untanned waste was a major concern. The evaluation mission concluded however, that "the tanners became sensitive to environmental issues" and this was an important output of the project even though it is not explicitly planned. Furthermore, the impact of the program supported ETP was assessed under the assumption that gradually all of them be put into operation. Thus, according to the report, despite nonfunctional effluent treatment equipment at three tanneries, sensitivity to environmental issues satisfactorily fulfilled the development program objectives to protect the environment.

Gender development

The purpose of the gender development component was to heighten awareness of the importance of women's contribution to the development of the sector, to enhance their capabilities in the industry, and to assist their effective integration. The output of this component was an analysis of the status of women in the leather sector and the recommendation of a three pronged strategy to create awareness of the role of women; training women in industrial activities; and creating self assertiveness among women and female entrepreneurs working in the sector. One hundred and fifty women attended awareness raising seminars, ten women entrepreneurs were supported with equipment, expert advice, and participation at fairs. UNIDO published a document entitled *Policies, Strategies, and Guidelines to Promote the Integration of Women in the Leather Industry*. However, the program objective of creating 150 employment opportunities for women was not achieved. The evaluation team felt the output was "rather ambitious" and should not have been considered a component objective (UNIDO, 1997, p. 48).

Institution building

The term "institution building" is used frequently in the RALFIS evaluation report and in development literature generally. Discovering what it actually refers to can be a challenge because it often serves as a vague catchall category for an assortment of activities for improving "the institutional capacities for human resource development" (UNIDO, 1997, p. 48). A training center for shoe manufacturing in Kenya received equipment valued at $313,000 as a component of "institution building." The report described the equipment as well selected, even though the apparatus covered only part of the leather footwear manufacturing process, namely shoe uppers, and the training center lacked shoe finishing equipment.

The Tanzania Institute of Leather Technology (TILT) which had been established at some unspecified time in the past with the assistance of UNDP/UNIDO held training equipment for the complete shoe manufacturing process, but never started actual operations. Due to a long period of idleness and neglect, the equipment, if usable at all would have required reconditioning. Seven persons were still being paid as employees of the Institute; though reviving the project was highly improbable.

Yet another example of dubious institution building in the report was approximately 50 sets of manuals on footwear manufacturing. These manuals are an example of foreign aid that is self serving to the donor and of little or no use to the recipient. The budget funds for producing these manuals were a contribution from India. The amount of $621,350 was recorded as foreign aid to African countries. But the references were developed and produced in India by Indian businesses and then some of the manuals were distributed to the program countries in Africa. Essentially the Indian aid subsidized Indian businesses. And what is more, the manuals were manufacturing references rather than the self instruction books in the original specification. Yet, the cost of manuals, $621,350, or approximately $12,000 per set was still recorded as a contribution to the program component of institution building.

Marketing Development

The purpose of the marketing development component was to increase the export of finished leather and leather products. The intended RALFIS outputs were an export marketing strategy and sample shoe collections for exhibit at trade fairs. Additionally, the program was to facilitate beneficiary involvement at selected trade fairs; and expose entrepreneurs to market intelligence. The actual output included a technical paper and booklet produced jointly by UNIDO and ITC entitled "Exporting Footwear from Africa;" a marketing and design expert who advised on product design and training in production methods and related management systems; and attendance by some program participants at fairs in Germany Italy, and Hungary. The total value the shoe exports provided by the program amounted to $600,000. For a number of companies, participation at trade fairs did not result in actual export deliveries. The quality and design of their export samples were not up to market standards, their price expectations were unrealistically high, and the entrepreneurs could not meet quantity or delivery time requirements.

Taiwan – US Interests in Foreign Aid

A contrasting example of how foreign aid can be utilized in a manner more beneficial to the recipient state is illustrated in the following. Between 1950 and 1962, USAID sponsored development programs in the industrial sector of Taiwan. A very different set of procedures and goals created a very different set of results.

The US has made no secret of viewing foreign economic assistance as "one instrument for advancing American interests in a stable and free world order" (Jacoby, 1966, p. 55). This represents self-interest, not altruism. Foreign aid assistance results from decisions involving the allocation of total funds for national security among economic aid and other national security instruments; the allocation of economic assistance among the several regions of the world; the allocation of economic assistance among several countries within the Far East region; and finally decisions regarding the programs structure, financial terms, budgetary channeling, composition, distribution among factors of the economy, and the allocation among projects. Unlike the higher order of decisions which are ultimately unilateral decisions of the US government, the final level of decisions are necessarily joint decisions of the governments of the US and the recipient country. This is a very different posture than what LDCs typically encounter in international organizations.

Specific benchmarks of evaluation were applied for judging the productivity of US aid: 1) The announced developmental goals of the Chinese government in relationship to the performance of Taiwan's economy; 2) the overall rise in Taiwan's GNP per dollar of U.S. aid in relation to that attained in comparable Asian countries; 3) the annual rate of increase in Taiwan's GNP during 1951 to 1965 in comparison with that attained in the period 1911to 1945 under Japanese Colonial administration; 4) the degree to which allocations of aid and of domestic investments among sectors of the economy approached the optimum; 5) the degree to which selection of aid projects approached the optimum; 6) the degree to which the instrumental structure of US assistance approaches the optimum with respect to statutory purposes, resource inputs, and financial terms; and 7) the degree to which actual aid administration conformed to the ideal, given the practical constraints upon policy.

US Program Administration in Taiwan

The administration of aid in Taiwan involved institutions and processes of the U.S. and of the Chinese governments. U.S. AID (the new acronym was truncated to USAID) was the executive agency charged with administering U.S. economic assistance in Taiwan. Other agencies were also involved, but USAID managed the high degree of coordination that characterized the program. The director, selected by the USAID administrator, exerted strong influence on the character of the program as a result of his presence on the ground, his intimate acquaintance with local needs and resources, and his intimate contact with Chinese government officials—this could be called his overall embeddedness. Though he lacked the final authority to approve projects and obligations, he was able and aggressive and made policy as well as administering it, and his influence determined the competence level and morale of the mission staff. He interpreted U.S. policy objectives to the Chinese government, had large de facto powers in setting the priorities of the project, and exerted influence over the nature of Chinese development policies. Economic activities of the mission team were coordinated with all U.S. military and civilian missions through the country team, a committee comprised of all U.S. military and civilian missions, chaired in Taiwan by the U.S. Ambassador.

Primary aid administrators for the Chinese were a small and equally well coordinated group of officials who worked with the regular ministries of the Chinese government and the Taiwan provisional government responsible for executing the national government policies. Since development projects were the major focus, the mission organization was based on sectors of Taiwan's economy. An extensive schedule of capital and technical assistance projects was administered by the mission staff, which arranged and monitored the activities of numerous consultants and contractors. During 1962, when the primary U.S. objective began phasing out aid and allowing the private sector to take over, the mission reorganized along functional lines of capital resources, management resources, and technical resources.

U.S. funds financed a contract between the Chinese government and a New York engineering firm that made the technical and economic studies of projects proposed by the Chinese government for U.S. assistance. The contract with the New York firm was broad and flexible. The company identified investment opportunities. It worked up technical evaluations for presentation and screened Chinese candidates to travel to the U.S. for technical training. In 1957, its technical staff numbered 32 Americans. The firm provided professional consultation to the Chinese government and de facto project review to the U.S. aid mission. The arrangement helped speed up action on projects. Over the twelve years of the mission, the total personnel averaged 350 people including consultants, contractors, and Chinese personnel. Three significant reasons for the effectiveness of the U.S. aid to the Republic of China were the high degree of cooperation between Chinese in American officials; the semi autonomy of the principal Chinese agencies of aid administration; and the continuity of the institutions and their personnel in the development program.

Early in 1950, when the U.S. began aid operation in Taiwan, the conditions were far from the macro economic stability required by today's structural adjustment conditionality programs. Rampant inflation, critical shortages of food and clothing, and the influx of refugees dictated a large commodity import program to meet basic needs of Taiwan's people and foster social stabilization. Initially, American officials unilaterally determined which commodities to procure and import for distribution by the Chinese government. However, by early 1951, at the suggestion of the mission director, the economic stabilization Board, consisting of senior Chinese government officials, was established. The minister of finance and the governor of Taiwan served on the commission, its functions were to review and coordinate trade issues and monetary and fiscal policies. No American was a member of the mission, but the mission had representation at meetings and played an active role in formulating policy.

The Joint Commission originated as an organ to implement the China Aid Act. The Commission was charged with the duty of using U.S. aid to foster rural development in Taiwan. It was jointly led by three Chinese and two American commissioners appointed by the respective presidents of both countries and later by two Chinese and one American. The commission represented the closest possible relationship between two governments based on strong common interest and a high degree of mutual confidence. The commission provided about 40 percent of the budget receipts of the Taiwan Provincial Department of Agriculture, advised and monitored land reform in Taiwan during 1949 to 1953, improved rural health conditions, and fostered improvements in technology for water resources and agriculture. The Commission's basic policy was to respond to the expressed needs of local sponsoring organizations, but commissioners frequently initiated projects ideas that were subsequently implemented. The joint commission was unique as a vital organ of Taiwan's development.

The success or failure of foreign aid as a development tool depends entirely upon the manner of its use. When used properly, it can substantially benefit the recipient state. When used improperly, it can easily hinder development, creating a situation that is no better, and possibly worse, than the one that existed prior to the aid program.

CHAPTER VI

CONCLUSION

The structure and function of foreign aid is complex and arcane. It is vital for the public to gain an understanding of foreign aid because it embodies crucial contemporary issues that have political, economic, and social implications for fairness and justice—ideals that American hold deeply. Taxpayers in donor states finance the foreign aid and populations in recipient states are subject to its forces. For the most part neither group really understands or is even aware of the economic world order in play around them. People in least developed countries struggle against powers of which they have little or no comprehension. Meanwhile taxpayers in donor states are made complicit in an economic world order with which they very likely disagree.

A new way of financing development aid would give Americans a chance to live out our ideals of equity, justice, and fair play and to put forward our best foot, not our worst. It could help to end an exploitative and injurious economic imperialism that in a sense involves every taxpayer who is unaware or uninformed. A new way finance development could bring fairness and equity in the global distribution of resources.

An alternative mechanism of aid funding

In *Foreign Aid—A Critique and a Proposal* (1968), authors Albert O. Hirschman and Richard M. Bird said the current aid giving processes were "sufficiently defective to warrant the search for new techniques" (p. 14). The basic requirements for satisfactory new alternative mechanism of foreign aid funding: 1) should permit the transfer of a substantial volume of funds to LDCs; 2) should not be tied to conditionality on central economic policy decisions in recipient countries; and 3) should exert pressure toward the efficient use of the funds that are provided (p. 14). The authors envisioned two additional features of a new scheme: 4) placing international development on a people to people basis; and 5) institutionalizing openly and firmly the redistribution of income from rich to poor countries.

It is exciting to consider that in the intervening years, since Hirschman and Bird (1968) originally proposed this idea, the advances in communication and information technology that have occurred, provide a mechanism in the Internet for implementing the scheme in a manner that was inconceivable at the time. As Figure 2 illustrates, the design lends itself to gradual introduction that can initially supplement rather than replace existing flows of foreign aid. Figure 3 presents the essence of the plan to involve the individual taxpayer in foreign aid. Taxpayers can elect to contribute a limited portion of their income tax obligation to one or more of several world development funds. These funds would be administered independently of specific countries, and channel financial assistance to public and private investors in developing countries. Taxpayers would receive a full tax credit from the IRS for their contribution to financial aid.

How does this differ from present funding by international organization?

Present multilateral funding depends entirely and directly on Government contribution. In other words, the government rather than the taxpayer individually is the source of funds. Multiple funds would have to compete in contrast to the single monolithic entities of the IMF, the World Bank, and the United Nations system. This would give recipients the choice of where to request funds. They would be able to select the funds that were most conducive to their needs.

Individual taxpayers could select qualifying activity in a manner similar to the way individuals currently choose their own charities. They could support the development funds whose activities matched their concerns, for example, a fund that specialized in providing clean water or one the focused on rural education. Despite many points requiring further study and consideration, the primary merit of plan would be avoiding the interference in the domestic economic policies of recipient countries. There would be no question of foreign control either by the US government, international development organizations, or even the proposed development funds themselves.

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APPENDIX

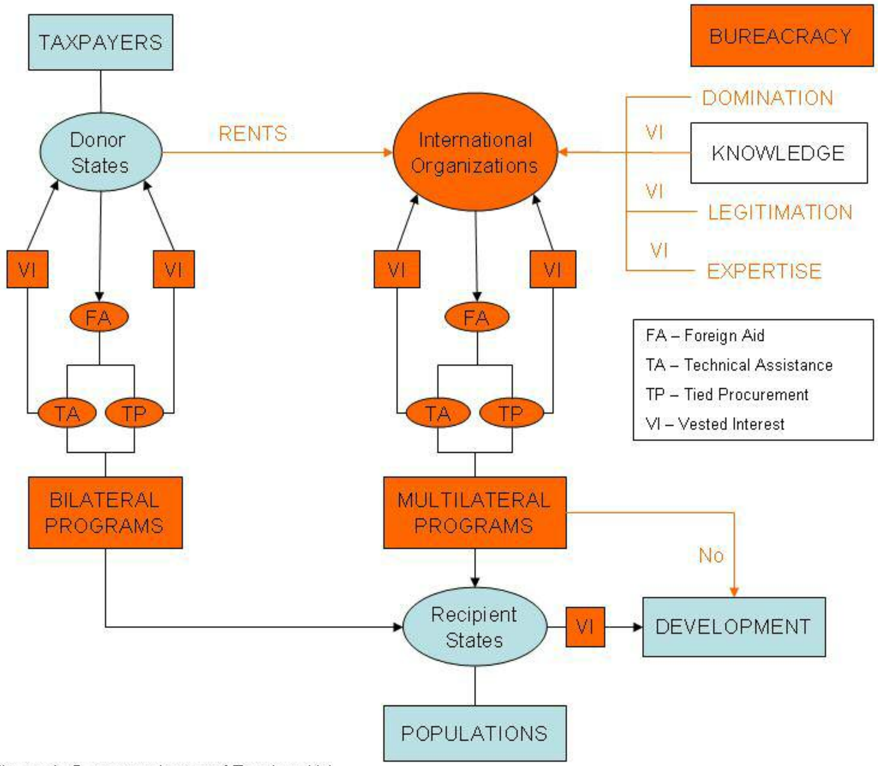

Figure 1. Current scheme of Foreign Aid

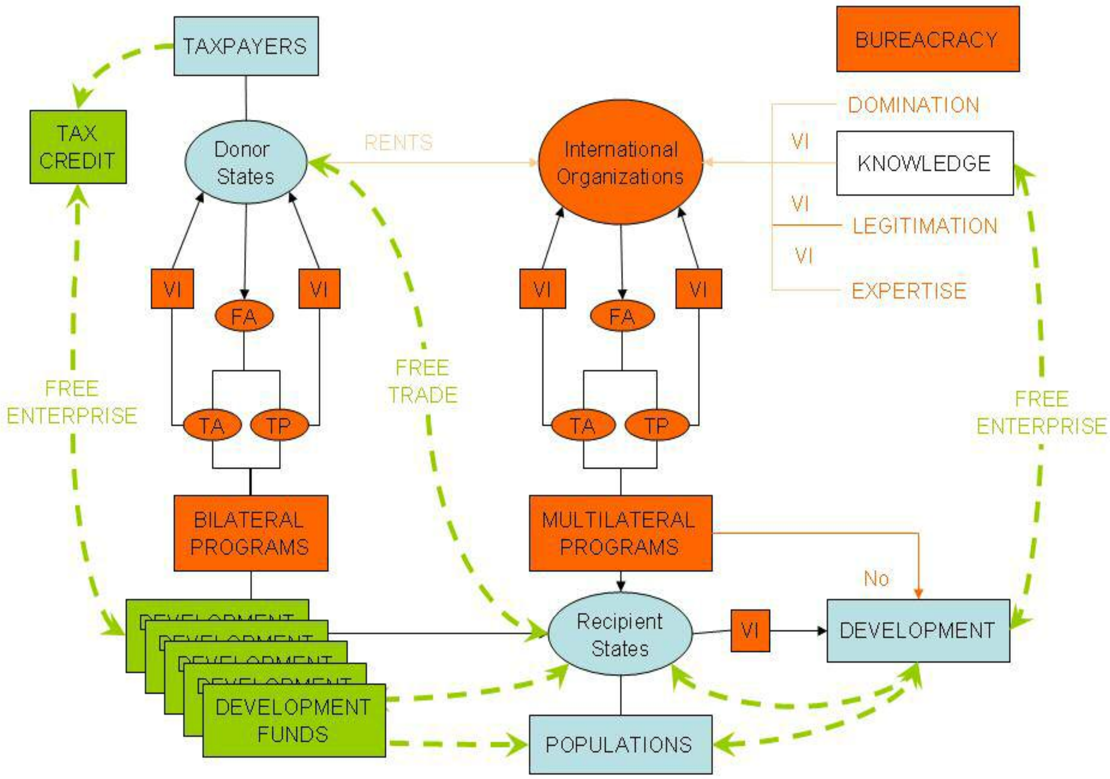

Figure 2. Gradual Introduction of the Proposed Alternative Foreign Aid Funding Model

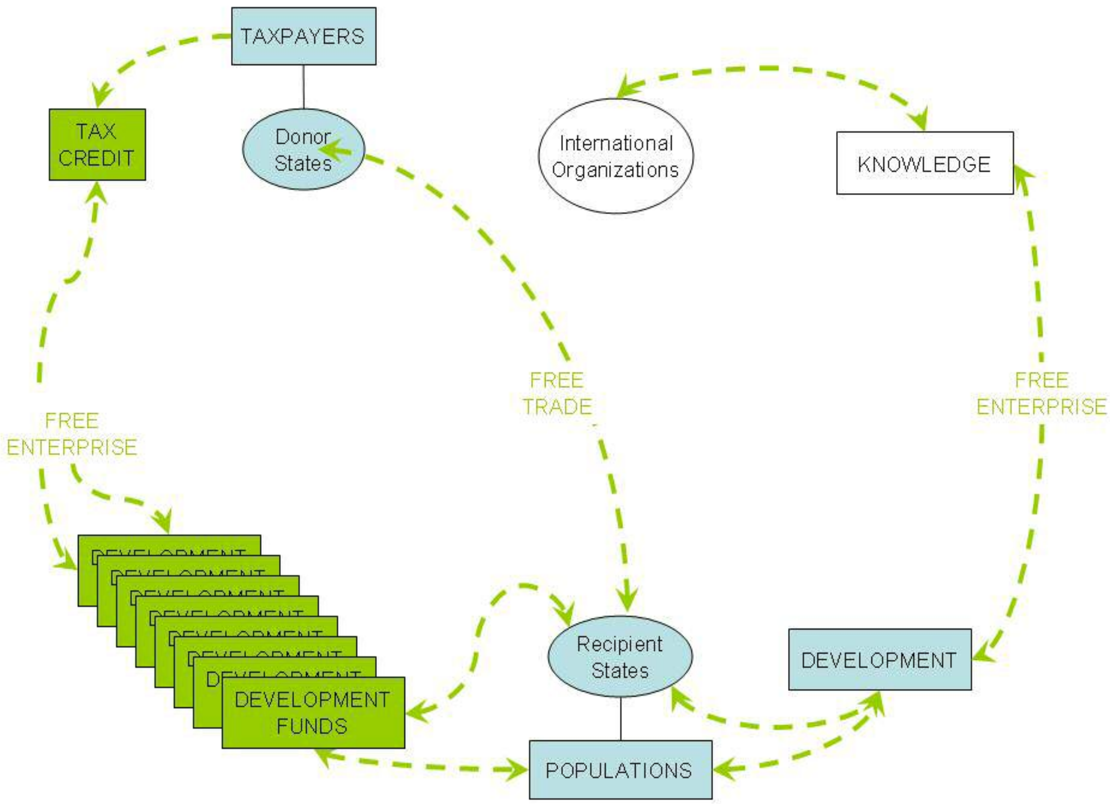

Figure 3. Alternative Foreign Aid Funding Model With Competing Development Funds

Figure 4a Priorities Achieved

Priorities Achieved			
	Donor	***Program***	***Expatriate***
	2, 9	5, 6, 16	17
	Recipient	***Development***	***National***
		1, 3, 4	

Figure 4b Priorities Unachieved

Priorities Unachieved			
	Donor	***Program***	***Expatriate***
	11	13, 15	
	Recipient	***Development***	***National***
	7	**1, 2, 3, 4,** 8, 10, 12, 14, 18	

Figure 4c Cost of Experts and Training

Program	***Total***	***Expert Cost***	***Experts***	***Training Cost***	***Trainees***	***Equipment***
XA/RAF/94/ 639	90,157	44,047	3	40,085	12	0
XA/RAF/95/ 610	143,219			139,719	30	3500

Table 1 (RALFIS Evaluation Report p.age 10)

Table 3: Actual Funding (October 1996)

P r o j e c t s	US$	
RALFIS - US/RAF/92/200 Austria contribution	775,329	
German contribution	3,213,150	
Italy contribution	619,000	
Swiss contribution	440,000	
Czech Republic contribution	15,700	
Regular Programme: XP/RAF/93/200 (training)	100,000	
IDDA Programme: XA/RAF/94/639 (training)	94,000	
IDDA Programme: XA/RAF/95/610 (training)	143,960	
T o t a l :		**5,401,139**
REFAM - US/RAF/92/202 IDDA Programme XA/RAF/93/603	300,000	
IDDA Programme XA/RAF/95/611	145,000	
T o t a l :		**445,000**
NALFIS **Ethiopia:** US/ETH/92/200 & DP/ETH/93/005 Swiss contribution	353,982	
UNDP contribution	593,218	
DG/ETH/94/237 (Footwear component)	225,400	
DG/ETH/94/239 (Tannery effluent component)	359,245	
Malawi: XP/MLW/92/200 - Regular Programme	18,000	
Namibia: US/NAM/92/200 - Austrian contribution	826,708	
The Sudan: XP/SUD/93/200 -Regular Programme	82,000	
Uganda: US/UGA/92/200 - Austria contribution	863,300	
Tanzania: US/URT/91/110 - Finnish contribution	675,000	
Zimbabwe: US/ZIM/92/200 - German contribution	624,600	
US/ZIM/93/106 - Danish contribution (women-in-development)	152,000	
T o t a l :		**4,773,453**
G r a n d t o t a l :		**10,619,592**

Table 2 (RALFIS Evaluation Report page 26)

Table 4: Funding of the Africa Leather Programme

	RALFIS	REFAM	NALFIS	TOTAL
IDF (US)	5,063,179		3,495,590	8,558,769
UNDP (DP,DG)			1,177,863	1,177,863
RB (XP)	100,000		100,000	200,000
IDDA (XA)	237,960	445,000		682,960
SIS			55,000	55,000
Total:	5,401,139	445,000	4,828,453	10,674,592

Other Related Leather Projects

US/RAF/92/142 UT/RAF/92/142 Footwear books	621,350			
TF/KEN/92/F10 Nakuru Tannery ETP			391,748	

Table 3 (RALFIS Evaluation Report page 27)

27

Table 5: Contributions by Donors

Countries	*Total*	*RALFIS*	*NALFIS*
Austria	2,465,337	775,329	1,690,008
Czech	15,700	15,700	-
Denmark	152,000	-	152,000
Finland	675,000	-	675,000
Germany	3,837,750	3,213,150	624,600
Italy	619,000	619,000	-
Switzerland	793,982	440,000	353,982
Total:	**8,558,769**	**5,063,179**	**3,495,590**

Japan	391,748
India	(621,350)

Table 4 (RALFIS Evaluation Report page 28)

28

Table 6: Budget and Expenditure for Programme Countries Covered by the Evaluation

Projects		Budget[1]	Expenditure[2]	%	Programme Components: 1 Management	2 Hides & Skins	3 Private Industries	4 Environment	5 Women in Development	6 Institution Building	7 Marketing
RALFIS:	US/RAF/92/200	5,063,179	4,349,806	86	Y	Y	Y	Y	Y	Y	Y
	XP/RAF/93/200	100,000	98,529	99						Y	
	XA/RAF/94/639	94,000	90,157	96						Y	
	XA/RAF/95/610	143,960	143,210	99			Y				
	Total:	**5,401,139**	**4,681,704**	87							
REFAM:	XA/RAF/93/603	300,000	297,220	99						Y	
	XA/RAF/95/611	145,000	131,283	91			Y			Y	
	Total:	**445,000**	**428,503**	96							
NALFIS:	US/ETH/92/200	353,982	335,171	95			Y		Y		Y
	DP/ETH/93/005	593,218	537,941	91		Y					
	DG/ETH/94/237	225,400	154,502	69			Y		Y		Y
	DG/ETH/94/239	359,245	354,784	99				Y			
	SI/KEN/96/801	55,000	51,830	94			Y				
	US/UGA/92/200	863,300	744,862	86		Y	Y		Y	Y	
	US/URT/91/110	675,000	568,253	84		Y	Y	Y	Y	Y	
	Total:	**3,125,145**	**2,747,343**	88							

Table 4b (RALFIS Evaluation Report page 29)

29

Other Related Leather Projects

Projects	Budget[1]	Expenditure[2]	%	Programme Components: 1 Management	2 Hides & Skins	3 Private Industries	4 Environment	5 Women in Development	6 Institution Building	7 Marketing
US/RAF/92/142 UT/RAF/92/142 (footwear books)	621,350	607,320	98						Y	
TF/KEN/92/F10 (Nakuru Tannery ETP)	391,748	396,559	101				Y			

1: 13% support cost is not included in these figures
2: All expenditures include obligations as per financial delivery report as of December 1996

Table 5 (RALFIS Evaluation Report page 30)

30

Table 7: Break Down of Expenditures by Selected Inputs

All expenditures include obligations as per financial delivery report as of December 1996

Project		Total	Experts	Training	Equipment	Remarks
RALFIS:	US/RAF/92/200	4,349,806	3,098,020	229,048	752,094	
	XP/RAF/93/200	98,529	0	98,529	0	completed
	XA/RAF/94/639	90,157	44,047	40,085	0	completed
	XA/RAF/95/610	143,219	0	139,719	3,500	completed
REFAM:	XA/RAF/93/603	297,220	0	0	297,220	completed
	XA/RAF/95/611	131,283	16,148	23,922	88,213	completed
NALFIS:	US/ETH/92/200	335,171	74,248	25,564	190,514	
	DP/ETH/93/005	537,941	123,438	125,523	150,170	
	DG/ETH/94/237	154,502	28,403	33,482	86,617	
	DG/ETH/94/239	354,784	7,800	0	346,670	
	SI/KEN/96/801	51,830	23,900	3,104	20,000	
	US/UGA/92/200	744,862	277,087	48,605	377,738	
	US/URT/91/110	568,253	88,186	23,677	389,365	completed
Other related project:	TF/KEN/92/F10	396,559	199,235	24,581	143,987	
Total:		**8,254,116**	**3,980,512**	**815,839**	**2,846,088**	
Percentage:		**100**	**48**	**10**	**34**	

Table 6 (RALFIS Evaluation Report pages 31-32)

31

Table 8: List of Experts Fielded Till December 1996

Project		Budget Line	Name	Man/Month
RALFIS:	US/RAF/92/200	11	Aloy	1.2
			Barothy	3
			Baseggio	1
			Berg	5
			Cabak	8
			Clonfero	4.8
			Chigudu	28
			Chuffa	2.5
			Clarke	1.5
			Felsner	42
			Foran	2
			Hamilton	2
			Higginson	5.3
			Kiruthu	27
			Le	6.5
			Lesuisse	3.1
			Linz	2
			Marzo Maranges	32.3
			Masera	0.5
			McCallin	4.5
			Melotti	0.5
			Murlasits	1.4
			Nestvold	1
			Niklas-Salminen	1.2
			Nishida	6
			O'Shaughnessy	1.5
			Rantala	3
			Ruppert	2
			Verschuur	1.4
			Wieder	16.4
			Zink	25.3
			Total:	**241.9**
		17	Abbo	2
			Chekol	1
			Jumbe	3
			Mbayah	26

RALFIS:	US/RAF/92/200	17	Muriuki	12	
			Muturi	1	
			Total:		**45**
	XP/RAF/93/200				-
	XA/RAF/94/639	11	Lesuisse	2	
			Marzo Maranges	1	
			Zink	0.7	
			Total:		**3.7**
	XA/RAF/95/610				-
REFAM:	XA/RAF/93/603				-
	XA/RAF/95/611	11	Dianin		**0.7**
NALFIS:	US/ETH/92/200	11	McCallin		**3.2**
		17	Hailu	6	
			Kebede	6	
			Total:		**12**
	DP/ETH/93/005	17	Hailu	30	
			Kebede	30	
			Total:		**60**
	DG/ETH/94/237	11	McCallin		**3.1**
	DG/ETH/94/239	11	Clonfero		**0.7**
	SI/KEN/96/801	11	Alano	1	
			Higginson	0.8	
			Total:		**1.8**
	US/UGA/92/200	11	Benko	10.1	
			Roberts	4	
			Total:		**14.1**
		17	Mwebe		**34.5**
	US/URT/91/110				-
Grand total:					***420.7***
Other related project:	TF/KEN/92/F10	11	Marzo Maranges	2.6	
			Nishida	12	
			Rantala	1.5	
			Zink	3.5	
			Total:		***19.6***
		17	Gathuo		**6**

Table 7 (RALFIS Evaluation Report page 54)

Table 11: Export of Shoes from Africa Promoted by the Programme

Country	Pairs	Delivery Pairs	Average Price	Total
France	6,000	-	12.00	-
Azerbijan	6,000	6,000	18.00	108,000.00
South Africa	95	95	10.50	997.50
Denmark	1,500	1,500	14.00	21,000.00
Slovakia	12,000	12,000	8.00	96,000.00
Greece	5,700	5,700	8.00	45,600.00
UK	11,000	3,000	6.75	20,250.00
Japan	4,000	4,000	14.00	56,000.00
Denmark	700	700	8.00	5,600.00
Hungary	4,000	in process	8.00	32,000.00
Italy	6,000	6,000	9.00	54,000.00
Spain	6,000	6,000	9.00	54,000.00
Switzerland	800	800	9.00	7,200.00
Majorca	72	72	9.00	648.00
Yemen	3,000	3,000	11.00	33,000.00
S. Arabia (uppers)	4,000	4,000	4.00	16,000.00
France	1,200	1,200	18.00	21,600.00
Various	200	200	50.00	10,000.00
Total:	**72,267.00**	**54,267.00**		**581,895.50**

Table 8a Hides Scheme (RALFIS Evaluation Report page 96)

		Grades (%)				
	Quantity	I	II	III	IV	Reject
Controlled slaughtering	2,196	17	37	26	19	1
Collection by traders	75,440	20	36	16	28	
Price (TSh/kg)	650	600	550	450		

Table 8b Delivery of Inputs (RALFIS Evaluation Report page 97)

	Planned	Implemented
New drying sheds	15	0
Drying sheds to be rehabilitated	20	6
Slabs to be rehabilitated	26	0
Slaughterhouse	0	1
Defleshing tables	0	6

Table 8c Delivery of Inputs (RALFIS Evaluation Report page 105)

	Planned	Implemented
Slaughterhouses	6	2
Slaughter slabs	5	2
Drying sheds	9	0

Table 8d Inputs Delivered (RALFIS Evaluation Report page 118)

	Project Document	Work Plan
Slaughtering slabs	9	13
Sheds	7	11

Table 8e Equipment and Tools (RALFIS Evaluation Report page 119)

	Project Document	**Actual delivery**
Knives	1,720	770
Marking hammers	110	120
Slaughtering steel	110	110
Hoists	?	20

VITA

Linda Fray Shrewsbury

Candidate for the Degree of

Master of Science

Thesis: FOREIGN AID AND DEVELOPMENT: THE LEATHER INDUSTRY IN TANZANIA

Major Field: International Studies

Education: Graduated from Valhalla High School, Valhalla, NY in 1970. Received Bachelor of Arts degree in General Studies with a field of concentration in Economics from Harvard College, Cambridge, MA in June 1974. Completed the requirements of the Masters of Science degree with a major in International Studies at Oklahoma State University in May, 2007

Experience: Regent Preparatory School of Oklahoma, Tulsa, OK Teacher, 2003 – 2004 World Magazine, Asheville, NC, Freelance Journalist, 2000 - 2003; Dorling Kindersley Family Library, Tulsa, OK, Independent Distributor, 1994 – 1996; Homeschool, Tulsa, OK, Teacher, 1984 – 1996; World Book, Tulsa, OK, Sales Representative, 1980 – 1981; IBM, Tulsa, OK, Systems Engineer, 1977 – 1978;Federal Reserve Bank of Boston, Boston, MA, Banking Analyst, 1974 - 1975

Honors: Lawrence L. Boger Distinguished Graduate Fellowship, 2005
Phi Kappa Phi, 2006; Phi Beta Delta, 2007

Name: Linda Fray Shrewsbury Date of Degree: May, 2007

Institution: Oklahoma State University Location: Stillwater, Oklahoma

Title of Study: FOREIGN AID AND DEVELOPMENT: THE LEATHER INDUSTRY IN TANZANIA

Pages in Study: 105 Candidate for the Degree of Master of Science

Major Field: International Studies

Scope and Method of Study: Development failure in Tanzania's leather industry provides a context for discussing foreign aid effectiveness and the role of international aid organizations in the economic development of least developed countries (LDC). The Regional Africa Leather and Footwear Industrial Scheme (RALFIS) Phase II evaluation report is examined as a case study. The United Nations Industrial Development Organization conducted this project in Tanzania and nine other East African countries between 1993 and 1996. This paper argues that foreign aid has functioned principally to control the world economic order and only secondarily to assist LDC economic advancement. The "aid regime" has frequently affected recipient development adversely through imperialistic practices and inefficient bureaucracy, despite the presumption of a positive aid to development link.

Findings and Conclusions: The RALFIS report demonstrated that donor prioritites tend to take precedence over recipient priorities. While fundamental industry issues of the Tanzanian leather supply chain were not addressed by the program, the cost of expatriate consultants and imported equipment tied to donors represented 48 and 34 percent of program funding respectively.

ADVISER'S APPROVAL: Theodore M. Vestal, Ph. D.