DISCUSSION PAPER / 2006.10

The Aid 'Darlings' and 'Orphans' of the Great Lakes Region in Africa

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Abstract

In this paper we look at the developmental consequences of aid flows on the Great Lakes Region in Africa. The reshuffling of international relations after the end of the cold war has dramatically changed the exogenous influence of external actors on the agency of local and regional actors in the developing world. Our main hypothesis is however, that political considerations and donor coordination problems still play an important role in directing aid, although in a very different fashion compared to the cold war era. The region of the Great Lakes in Africa is a good illustration of the « darlings » versus « orphans » policy of official development assistance (ODA). Following a new selectivity principle, extensive structural aid is only allocated to those countries who exhibited a very particular form of "good governance" to which donors are sensitive, while "failed states" cannot qualify for structural ODA. This has led to the "aid darling" status of Rwanda and the "aid orphan" status of Zaire/DRCongo and Burundi. Our contention is that these choices have unduly inflicted high costs to these two latter countries and to the region. Since their economies are extremely aid dependent, the allocation of aid has a considerable impact on economic development as we try to show in this article. Departing somewhat from the dominant pessimist stance on the effectiveness of aid in Sub Sahara Africa we will try to show that overall, the costs of exclusion are detrimental for economic development and create regional and even international public 'bads' because of the spill-over effects of exclusion on the region.

Key words: Great Lakes Region, Aid, Political Economy
JEL Codes: F35, F59, O55

Résumé

Dans cet article nous analysons les conséquences, au niveau développement, du flux d'aide vers la Région des Grands Lacs en Afrique. Suite à la fin de la guerre froide, les relations internationales ont sérieusement modifié l'influence exogène des acteurs externes sur les interventions des acteurs locaux et régionaux dans le monde en développement. Cependant notre hypothèse principale est que les considérations politiques et les problèmes de coordination entre donateurs continuent encore à jouer un rôle important dans l'aide, quoique de façon différente comparés à la période de la guerre froide. La région des Grands Lacs en Afrique constitue une bonne illustration de la politique officielle de l'aide au développement (AOD) aux 'favoris' opposés aux 'orphelins'. Suite à l'application d'un nouveau principe de sélection, une aide structurelle extensive sera uniquement allouée aux pays qui ont mis en oeuvre une politique particulière de ' bonne gouvernance' à laquelle les donateurs sont très sensibles, alors que les pays sans 'bonne gouvernance' n'obtiendront pas d'aide structurelle. Cela nous a conduit vers un statut 'd'aide préférentielle' au Rwanda et 'd'aide discriminatoire' au Zaïre/RDCongo et Burundi. Notre appréciation est que ces choix ont injustement infligé des coûts élevés à ces deux derniers pays et à la région. Comme leurs économies sont fort dépendantes de l'aide, l'allocation de l'aide a un impact considérable sur le développement économique comme nous essayons de le montrer dans cet article. Partant de l'attitude pessimiste dominante sur l'efficacité de l'aide à l'Afrique Subsaharienne, nous allons tenter de démontrer que d'une façon générale le coût de l'exclusion se fait toujours au détriment du développement économique et crée des « mauvais » au niveau régional et international à cause des effets de 'débordements' de l'exclusion pour la région.

1. Introduction

Since the beginning of the post-colonial era, aid has always been one of the instruments in the Western powers' panoply of interventions in their former colonies. During the cold war era, the aid flows, modalties and motives differed along lines of importance in the East-West competion. Countries that were considered strategic in geopolitical or economic terms received substantial unconditional amounts of aid. Combined with the doctrine of non intervention in internal affairs, political elites in developing countries could use these aid flows at their discretion, as long as there was unconditional political allegiance to the West. The resource rich Zaïre was in Africa, as was Indonesia for Asia and Brasil for Latin America, a centrepiece in the counterrevolutionary strategy of the cold war era (Gould, 1980). The well known quote by R.Nixon when asked why the US was supporting a kleptocratic dictator like Mobutu is illustrative for that period: "I know he is a son of a bitch, but he is our son of a bitch". For all these reasons it might not come as a surprise that aid in these countries was not very effective in fostering economic and human development. Aid in less strategic countries such as Rwanda and Burundi, where governments had less leverage, was more channelled into developmental activities and could therefore show a better use of ODA flows. Although both countries are landlocked and resource poor, income per head doubled in the cold war era whilst the inhabitants of the resource rich neighbour, Zaire, experienced a decline in its GDP per capita of more than 50% during the same period.(Marysse, 2003)

The flow of aid and its impact however, changed dramatically since the end of the Cold War. The exogenous shocks which African countries had to absorb were twofold, and intimately linked. First of all donors started to place democratisation and good governance high on the agenda. This of course disrupted the political texture of the countries and weakened the position of the ruling classes, who lost the access to the aid rent. Second, the end of the Cold War[1] also brought with it liberalisation and opening up of the international markets in countries that were not competitive internationally. The national economies increasingly fell back on the informalisation of economy and state, thereby leading to shrinking budgets and income. The reaction of local and regional political actors to this rupture led to increased competiton between elites for shrinking rents and political power. This competiton, made possible by international demands for more democracy, sparked off civil war in Rwanda and Burundi spilling over to Zaire /Congo. Since Zaire was internally weakened through decades of mismanagement, condoned by the international community, the spill-overs set the region in a blaze, leading to the "first international African war" (see Reyntjens, 1994, 2004).

[1] This systemic change after the Cold War has by and large also been confirmed in the empirical aid allocation literature. See especially Berthélemy and Tichit (2004, section 4) for details.

This warp and weft of endogenous and exogenous reactions led to a realignment of positions in the international community and consisted in the resumption of aid to Rwanda and almost complete withdrawal from Zaire/Congo and Burundi. Indeed, the isolation of the latter countries has been lifted somewhat the last two years. Nonetheless, the gap between the promises of aid and the distribution of funds in the case of Congo risks disrupting the entire fragile process of peace and reconstruction.

In the next section we try to show how recent theoretical and empirical work on rents, aid, effectiveness and selectivity of aid offers a framework to understand why countries arrive at the status of "aid orphan" or "aid darling".[2] The third section documents the evolution of aid flows and aid modalities to the three countries after the end of the post cold war era. It clearly brings out the exclusion of RDCongo and Burundi, strongly contrasting with the preferential treatment of Rwanda. The fourth section shows how the aid status of the country coincides with its performance in terms of development. Prima facie, this is good news for the donor community because the dominant view of aid to Africa is that it was not very effective in promoting growth and development (Burnside and Dollar, 2000; Heller, 2005; Rajan and Subramanian, 2005). The flip side of this coin is the inability of aid to cope with those very low income countries trapped in weak institutions and bad governance. As these countries cannot apply for substantial aid, they end up in an 'aid orphan' status. In that sense the new aid paradigm produces a vicious circle because of an "aid-institutions dilemma" (see Moss et alii, 2006)[3] Finally the conclusion will explore how and under what conditions this 'aid-institutions dilemma' could be lifted in view of the historical trajectories of the countries in the region.

[2] This terminology, introduced as a consequence of the new selectivity, is explained in McGillivray (2006).

[3] By 'Aid Institutions dilemma' we understand the vicious circle created by the new stance on aid selectivity (Hout, 2004): In order for poor countries to apply for structural aid (in the form of budget and sectoral support) you need good governance and therefore performant institutions. This dilemma is akin to the literature on 'treshold externalities', or even 'poverty traps' (Kraay and Raddatz, 2005). Since most least developed countries are caracterized by weak institutions, they are trapped in a vicious circle of "aid orphan" status.

2. Institutons, rents and aid selectivity in the region

Each development path is different, through a combination of exogenous factors (intervention by external agents) and endogenous factors (differing regional and local contexts and agents). This intertwining of factors creates an unpredictable dynamic for change, which can set in motion a virtuous spiral of development or, on the contrary, degenerate into regressive human development and even feed into a logic of violence and conflict, as was the case in the Region of the Great Lakes in Africa (Marysse, 2005). However, how these factors interact in the context of Sub Sahara Africa is a matter of intense debate in the literature.

An important element in this debate is the assumed role and effectiveness of Aid to Sub Sahara Africa (SSA). One positive stance in the debate argues that aid flows (ODA) should at least double in comparaison with their 2000 level if the targets set by the international community is to be reached (Zedillo Panel 2001; Devarajan et al, 2002; Collier 2006). Tony Blair, in the framework of the Commission for Africa (2005) made a plea for an immediate increase of 25 billion dollar and another 25 billion towards 2015. If the Millenium Development Goals have to be reached then, following the recommendation of the UN (2005), global ODA should attain a level of 195 billion $ by 2015 from their current level of 79 billion $ in 2004 (Moss et alii, 2006). The rationale for such an increase is the argument that a 'big push' is necessary to lift these least developed countries above a threshold under which institutions cannot perform efficiently (Sachs and Warner 1999; Collier 2006).

This positive stance on Aid is countered by a number of authors. There is quite widespread scepticism on the useful absorptive capacity of ODA flows to Africa, the so called 'curse of aid' (Svensson 2003, Easterly 2005). If the pledges for increased aid flows to Africa materialize, this would imply a threefold increase for countries[4] that already received more than 10 % of their national income in ODA flows during the last decades, without substantive improvement in growth and poverty.

[4] More than 36 out of the 46 SSA countires received ODA in excess of 10% of their national income, one dozen countries received more than 20 of their national income in ODA.(Moss et alii., 2006)

Indeed, the dismal performances of African economies have been the source of much debate. There was quite general agreement that traditional explanations of growth and improvement of living standards, such as lack of natural resources, human or physical capital, etc., was due to other factors than purely economic explanations. This phenomenon was dubbed "the African dummy" because half of the variation in growth performances could not be explained through economic variables (Collier and Gunning, 1999; Englebert, 2001). Van de Walle, for example, explains the evolution of development in sub-Saharan Africa as "the fruit of the marriage of neo-patrimonialism and the international development business" (Van de Walle, 2001). In other words the dismal performances of development in Africa were due to internal political factors, while the aid flows that were supposed to lift Africa out of poverty and under development, compounded the problem. In fact this finding was nothing new to political scientists, who already stressed for a long time that the state and the economy were undermined by neo patrimonial policies that permeated the whole society (Hyden, 1984), or that sound public institutions are a precondition to development (Herbst, 1990; Evans, 1995). Finally the breakthrough of the importance of good governance and the necessity of sound institutions came with the acceptance of the views of the New Institutional School (North, 1990; Rodrik, 2003; Acemoglu and Robinson, 2005). Many of these ideas for Africa however were anticipated by the seminal work of R. Bates (Bates 1983;1989).

These views on the necessity of sound institutions had their influence on the debate of Aid effectiveness and led to the new selectivity criteria that were more and more used by the leading donor countries (Hout, 2004). In these views Aid to Africa was ineffective for different reasons. First, there was an economic explanation that was akin to the discussion of the "Dutch disease" (Heller, 2005; Rajan and Subramanian, 2005). Aid, was considered a rent; that is an unearned income by the ruling elites which leads to negative economic and political effects. Economically, the "dutch disease" effect leads, through the access of easy foreign exchange, to an appreciation of the exchange rate and lowers therefore the competitiveness of the economy (Adam and Bevan, 2003; Rajan and Subramanian, 2005). Politically, the easy money relaxes the budget constraint for the government and therefore government expenditure can rise without scrutiny from the public or the civil society. In other words the "dutch disease" effect of aid lessens the accountability of the government and the ruling elites.

But there are still other costs that come with aid flows in aid intensive countries and that are well documented in the aid literature (Berg, 1993; Bräutigam and Knack, 2004). Each donor brings with it oversight and coordination costs that overlap and duplicate efforts of other donors who compete for scarce competent local staff. Since rewards and fringe benefits for scarce local staff are much higher that what they could earn by non corrupt behaviour in the national bureaucracies, aid further weakens national institutions.

These are only a few of the most important "seven deadly sins" that are associated with high aid to income ratios typical for SSA (see Birdsall, 2004). The description of these costs by Moss et alii gives a perfect account of the pernicious effects of aid in the countries of the region (2006:9):

"Projects provide for the allocation of all sorts of discretionary goods to be politicized and patrimonialized, including four-wheel drive cars, scholarship, decisions over where to place schools… The common practice of paying cash 'sitting fees' for civil servants attending donor-funded workshops, where the daily rates can exceed regular monthly salaries, even turns training into a rent to be distributed… Aid dependence thus leads to a situation in which bureaucrats are often not rewarded for focusing on their core developmental functions but rather on getting money from donors".

This realistic appraisal on the impact of aid has led many authors to warn against expansion of ODA to those aid-dependant countries. This resulted in a new selectivity that has been adopted by leading donor agencies and important bilateral donors (Hout, 2004); this shift could even labelled as a true paradigm shift (with, of course, its own inherent cracks) (Renard, 2006). The main thrust of the new selectivity criterium was twofold. First, project aid has many disadvantages for reasons mentioned above and a shift in aid instruments towards budget aid and sector wide program support in health, education, public enterprises etc. is to be preferred. However, and that is the second main characteristic of the new selectivity, only those states capable of absorbing these new aid flows in a responsible, accountable, and efficient way could apply for these new aid flows.

The argument and policy advice for the new selectivity finds its roots in the 1998 World Bank study on assessing aid (World Bank, 1998):

"Developing countries with sound polcies and high-quality public institutions have grown much faster… Put simply failures in policymaking, institution building and the provision of public services have been more severe constraints on development than capital markets… we recommend that aid be allocated on the basis of poverty and economic management … more finance should go to the countries with the better management"

This recommendation holds a fortiori for countries involved in conflict and deep crisis which by definition are characterized by weak government. It is exactly this new selectivity criterion and the pessimistic stance on more aid to Africa that has led to what we call the "aid dilemma", resulting in the "aid orphan" status of Zaire/Congo and Burundi and the "aid darling" status of Rwanda. The heart of the matter in this article is of course whether this position on selectivity and the pessimistic stance on Aid to Africa in general, while to the Great Lakes Region in particular, is valid.

Of course most of the arguments on the possible harmful effects of aid, spelled out above, have validity. Aid flows, especially if allocated in the form of budget support or program aid, are bound to be wasted in the context of failed states. However that proposition does, in our opinion, not imply that a lower aid flow is then the unavoidable consequence. In this case, it is the modalities of aid that matter. We argue that in a context of failed states, international donors should consider other forms of aid allocation next to budget aid as the level of financial assistance is absolutely too low for these countries. There are four arguments to sustain our contention, also illustrated by our case studies.

First, the negative stance on more aid to Africa is theoretically inspired by the theory on rents. For the purpose of this article, suffice to define rents as an income due to rising prices, windfall profits or external allocations, accruing to the state or specific interest groups (political group, national or international enterprise) without any matching effort.[5] However there is a very fundamental difference between a resource rent such as oil or 'diamonds' and an aid-rent. The rent accruing to a country through the allocation of foreign aid is always purposive (Collier, 2006). This rent is accompanied by conditions, control mechanisms and is never a free lunch for those in power. Even if the criticism on harmful effects of aid is correct, it nevertheless means that you can improve its quality.

5 This is an adapted definition derived from Sachs and Warner (1999), Svensson (2003) and Collier (2006) amongst others.

Second, less aid in the context of a severe crisis - such as an internal conflict, war or a failed state - further increases the competition for the shrinking rents. Information is even more withheld within the confines of isolated clientilistic networks and further erodes institutions that were still functioning.

Third, the diminished flow, or even radical cancellation of aid in certain areas or domains of (regional) public goods such as education or health can lead to very high costs and spillovers to other domains and countries. Let us take the example of trypanosomiasis in DR Congo to illustrate this point. Stopping the fight against sleeping sickness has cost a great deal of money because a 'stop and go' policy in this area is counterproductive. But based on aid-unfavorable arguments (lack of stability and of a democratic government) public aid in this area has nonetheless been stopped, even though combatting this disease does not require a government or democracy to succeed. The whole 'aid-institutions dilemma' created by the new selectivity rests on the assumption that aid is necessarily and mainly channelled through the state and that in circumstances of conflict, only humanitarian and emergency aid is possible. In some countries however, such as the DRCongo, massive aid in key human development sectors as education and health could be channelled through country wide, still functioning and trusted institutions such as the churches and NGO's with the explicit partnership, but not command, of local government. In a later stage, special funds as advocated by Sachs and Warner (1999) and more recently by Collier (2006) have to be taken seriously. Although these ideas go back to big push theories advocated in the fifties by authors such as F. Perroux and A.O. Hirschman, they have never really be tried in reality. It is worthwhile and urgent to explore the feasibility of these proposals.

Fourth, a climate of security and political stability is seen as a vital condition for good governance, which is a criterion trumpeted by the international community as crucial in ensuring the effectiveness of aid. In 1996 these criteria were seen as being fulfilled in Rwanda, but not in Burundi and Congo. Interestingly, the performance of Rwanda and Burundi according to the World Bank's governance indicators is broadly comparable for that year (see section 4.2 below). Nevertheless, Rwanda benefitted from a large inflow of aid, while Burundi was isolated by an embargo. Moreover, the Rwandan experience shows that a climate of political stability does not automatically lead to a wave of democratisation where the interests of the poor are asserted through their representation within political structures. Over the course of the years, Rwanda has scored points in terms of technocratic governance, but has performed less well in terms of political indicators such as civil liberties, human rights, independence of the justice system, etc. But these arguments seem to carry little weight in terms of the way donors act. In their evaluations, they place greater emphasis on the technocratic aspects of good governance and thereby sidestep the more sensitive, political-type issues.

Finally, the aid literature has no matching policy or theory for "failed states" or conflictuous countries. The vicious circle of weak institutions, economic regress, increasing competition for shrinking rents, violence, further regress can only be broken if [6] :"the political roots of development productively join with the economic when specialists in violence realize that they can best survive and prevail by promoting the prosperity of their economic base" (Bates, 2001). Is the international community capable of breaking that vicious circle where there is no state or where minimal state functions and institutions lack, or where the competing groups even engage in warfare or violent exclusion?

The response of the international community is diverse and ranges from no intervention at all as is the case in Somalia, to the more limited human intervention and emergency typ of aid as was the case in RDCongo and Burundi. On the other hand large scale intervention as e.g. in Afganistan cannot be called a success, nothwithstanding the injection of large intervention funds. So there is no easy answer to it, but the way 'the crisis' is tackled by the international community in the region of the Great Lakes, is far from satisfactory and could be improved.

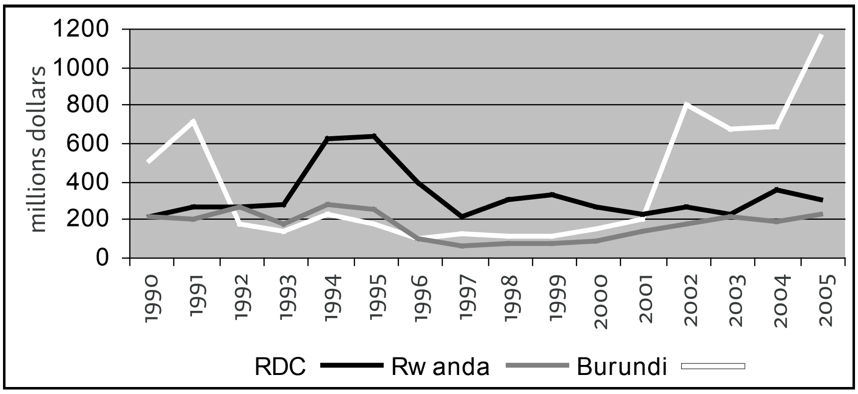
[6] A representative example of this spiral of "economic regression" is the development of the state copper producer Gecamines. Up to 1975 it still produced five hundred thousand tonnes of copper a year. In the 1990s, annual production dropped to five percent of this capacity, while at the same time the number of executives employed and appointed by the political classes increased fivefold. Since taxes on this nationalised company represented up to sixty percent of the national budget at the beginning of nationalisation, it is easy to see how development became regressive.

In sum, we need no subdivision into aid "orphan" and "aid" darlings in the region of the great Lakes in Africa, but a more encompassing regional framework. The aid approach should not exclude some countries and favour others for new geopolitical considerations that are not very well funded. In the next section we will show the extent of exclusion by the international community. Thereafter, we will investigate the consequences of that differential treatment on economic development in these countries and the region.

3. Income from aid and preferential treatment

The following analysis is based on the development of different categories of external contributions during the period 1990-2005 for the three countries of the Great Lakes Region concerned.[7] Graph 1 shows the development of all net medium and long-term (MLT) flows from official donors, i.e. both bilateral and multilateral (including the IMF). This covers all official aid in grant form (excluding technical assistance) as well as the net flows on (concessional) debt.[8] In short, the graph represents the net aid received by the beneficiary countries.

Graph 1: Official net medium and long-term flows



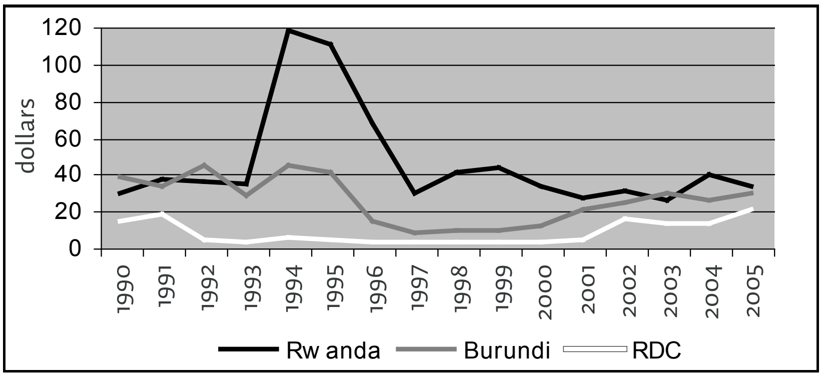
Source: World Bank, Global Development Finance, several years; figures for 2005 are IMF estimates.

The developments over the last fifteen years very clearly demonstrate the diverging reality of the net flows in the three countries. The rupture of structural cooperation in DRC and Burundi is announced by a marked drop in the inflow of official aid. In Rwanda, by contrast, the flows triple during the period just after the genocide compared to the situation at the beginning of the 1990s. Subsequently the flows hover around an average of 300 million dollars, a level which is not really structurally higher than that before the crisis. Although the DRC attracted a level of aid income higher than that of the other two countries before the crisis, the annual volume drops to an average of around 100 million dollars for a long period before it finally rises in 2002. However, the data in graph 1 hide the difference in size between the countries. Graph 2 shows the same data but this time in terms of net flows of official aid per capita.

7 These developments are represented in a synthetic manner in graphs 6, 7 and 8 and table 2. The data used comes from the World Bank, mainly taken from the annual report Global Development Finance.

8 The net flows on debt are the new payments minus capital amortisation. The latter element contains only the capital principal, not the interest payments.

Graph 2: Official net medium and long-term flows per capita



Source: World Bank, Global Development Finance, several years; World Bank, World development indicators, 2006.

This graph illustrates the differing levels of assistance – the data confirm that the smaller countries, in structural terms, receive more aid per capita.[9] Rwanda and Burundi were in a similar position – around 30 dollars per capita – before the crisis. In the case of Burundi, the rupture translates into a drop of around 10 dollars. During the same period, Rwanda received ten times as much aid per capita in 1994-1995, and stabilised at a level comparable to that before the crisis. This level was still three times that received by Burundi. In recent years, however, Burundi has converged towards the same level as Rwanda. DRC's level is structurally lower, with an average of around 15 dollars at the end of the Second Republic (1999), and an almost complete cessation during the years of transition. In the most recent years, following the death of President Laurent Kabila and the implementation of an enhanced interim programme (EIP), the Congolese government has been able to fulfil the donors' conditions for aid after a long period of exclusion. The level of aid to Congo has not, however, reached even half that received by its two neighbouring countries. A hypothetical increase of DRC's per capita aid to the level of that of Rwanda would increase annual net aid in absolute terms to around 1.7 billion USD, a level by far depassing absorptive capacity of current aid absorption mechanisms, and for which innovative mechanisms would clearly be needed.

[9] This positive 'small country effect' is well-known and commonly agreed-upon in the aid allocation literature. See again e.g. Berthélemy and Tichit (2004).

This geopolitical aid effect als masks sometimes profound changes in the relative importance of individual donors for a given country. For Rwanda, the country with sustained aid flows, it is particularly outspoken: as table 1 shows, Belgium, Germany and France were leading pre-crisis period donors, while, currently, they are replaced as leading donors by countries such as the US, UK, the Netherlands.

Table 1 : Weight of individual donors in total bilateral official development assistance for Rwanda (1992 versus 2004)

	1992	2004
Belgium	24.3%	9.7%
Germany	23.3%	6.5%
France	14.2%	3.7%
United states	3.7%	24.6%
United Kingdom	0.2%	20.1%
Netherlands	3.7%	10.8%
Others	38.2%	44.42%

Source : OECD/DAC website.

It is clear that Rwanda has been able to avoid a long-term rupture in cooperation. First of all, the country profited immediately from the exceptional post-genocide assistance, after its good performance in technocratic governance terms led to the re-establishment of structural aid as part of the post-conflict aid scheme. As early as the second half of 1997, Rwanda had re-established its structural relations with the IMF, first of all in a "staff-monitoring" programme, followed in 1998 by an Enhanced Structural Adjustment Facility (ESAF) programme. By contrast, Burundi and DRC went through a long period of rupture in the 1990s, and it was only from 2001 that structural aid began to resume, starting with the reestablishment of normal relations with the IMF.

However and probably as important as the absolute level of the aid flows, is the dimension of conditionality of these aid flows. It is exactly the conditionalty that goes with aid that makes a difference with natural resource rents, that is unconditional money accruing to government. While the aid literature is not very positive on the ability of conditionality to 'buy reforms' (World Bank, 1998), on average, conditionality succeeds in making the impact of aid be more positive (or less negative) than that of say a natural resource windfall (Collier, 2006). The reestablishment of normal relations with the IMF, embedded in some IMF assistance programme (typically a PRGF programme) has traditionally worked as a necessary first step for large scale resumption of structural aid by the international donor community. These programmes mix both macro-economic stabilization measures with more structural adjustment-type of policy conditions. IMF programmes have been rather succesfull in realizing (short-term) 'stabilization turnarounds', also in the Great Lakes region, such as most typically in the case of DRC (Akitoby, 2004). However, it has proven much more difficult to engineer such sustainable turnarounds in fields related to long term economic, institutional and political reform leading to sustained poverty reduction. This failure has been explicitely recognized in designing the new aid paradigm, giving rise to the 'Poverty Reduction Strategy Programme/Paper (PRSP)' as a new modality of conditionality. As such, a substantial increase of aid flows is in principle made conditional to the development and execution of a high-quality PRSP strategy, tackling all country-specific structural bottlenecks to development and lasting poverty reduction.[10]

The behaviour of the external private sector follows a completely different logic. The data in table 2 essentially give an overview of the flows of foreign direct investment (FDI) and the repatriation of profits in the three countries.

Table 2: Flows of foreign direct investment (FDI) and repatriation of profits (period averages)

Burundi (millions $)	1980	1990-1997	1998-2001	2002-2005
FDI	5	0.8	3	0.5
Repatriation profits	0	4.4	11	10.3
DRC (millions $)	**1980**	**1990-1997**	**1998-2001**	**2002-2005**
FDI	110	-36.9	44.3	315.3
Repatriation profits	74	0	0	0
Rwanda (millions $)	**1980**	**1990-1997**	**1998-2001**	**2002-2005**
FDI	16	3.5	5.5	5.8
Repatriation profits	9	3	1	0

Source: World Bank, Global Development Finance, *several years; IMF, Reports, article IV (estimates 2004 and 2005)*

Firstly, we can see that the level of direct foreign investment and therefore also the level of repatriation of profits in Rwanda and Burundi are negligible. This is explained by the fact that these two small, land-locked countries have little in the way of economic advantages and natural resources to attract direct foreign investment. Any reform based on the idea that development will come from an (international) private sector boom would therefore be limited. Given the slimness of the tax base in these two countries, the role of the state in the development of public goods and therefore the countries' dependence on international aid remain a factor which needs to be addressed.

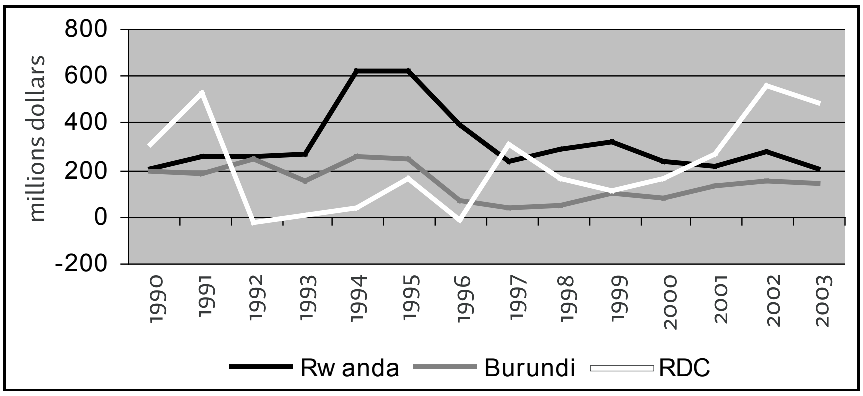
By contrast, the development of the DRC figures simultaneously show the country's potential and the huge incidence of crisis. In crisis periods such as those seen following the DRC's rupture with the international community in 1990, DRC not only saw its income from aid disappear, but the crisis was considerably amplified by the withdrawal and disappearance of private capital. While direct foreign investment in Rwanda and Burundi are marginal and therefore not greatly affected by crises, the rupture in international aid to DRC after 1990 further strengthened the climate of disinvestment and the with-

[10] Exactly the same conditionality logic is used in engineering debt relief, as under e.g. the HIPC debt relief initiative. This explains also why a country such as Rwanda could benefit from debt relief (as under HIPC) much sooner than Burundi or DRC. See e.g. Cassimon (2006) for a detailed analysis of the divergent debt relief practice for the three countries concerned.

drawal of capital. But as soon as international donors' confidence was restored somewhat (in the last two years), the international private sector was once again attracted by the natural resources of this potentially rich (but currently poor) country. In summary, we can see that private and public flows reinforce one another in both positive and negative directions, and this may be an idea which donors should analyse in more depth.

Finally, graph 3 presents the developments in aggregate totals. This concept covers all of the net flows, both official and private, corrected (downwards) for all of the interest payments made and the repatriations of profits carried out by foreign investors. The concept presented here is not limited to transfers carried out through medium or long-term (MLT) borrowing and investments, as in graphs 1 and 2, but instead also includes all short-term flows. In the case of Rwanda and Burundi, the net aggregate transfers carried out are almost entirely determined by the official net flows. There is hardly any impact at all on the final result from interest payments, DFI and other forms of private sector support. This is not the case for DRC; there interest payments, DFI (including repatriation of profits) and other forms of private sector support, and short-term transactions do have an impact on the net transfer, which even translates into slight negative net aggregate transfers in some years. In those years, the country becomes poorer both relatively and absolutely, which is also reflected in the economic regression observed during that period.

Graph 3: Total net aggregate transfers (1990-2005)



Source: World Bank, Global Development Finance, several years

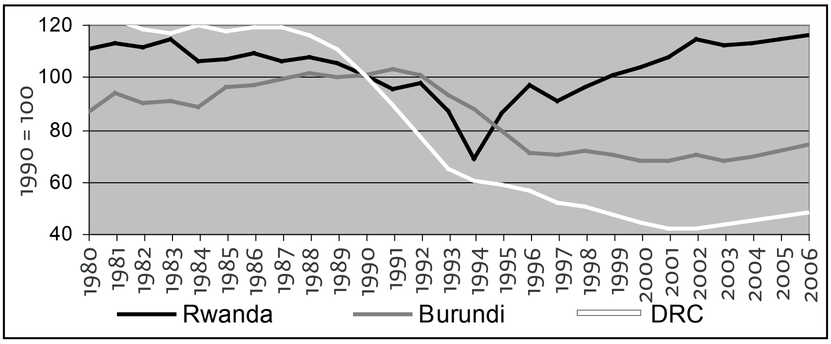
4. Economic development, good governance, and poverty reduction in the Great Lakes region

In this part we see how differential incomes from aid have corresponded with diverging paths of economic development for all three countries. Further, we look into the main reason raised by international donors to explain the differential treatment of the three recipient countries: "good governance", seen as a prerequisite for assuring that aid will translate into economic development and poverty reduction.

4.1 Economic development in the three countries

In the next graph 4 and table 3 below, we can see the extent to which the end of the Cold War coincides with a rupture in the economic development of the three countries in the region. This is clearly reflected in the drop in income per capita which we observe from 1990 onwards. However, the divergences between the three countries demonstrate the extent to which endogenous and exogenous factors are intertwined. Remarkably, in all three countries the resumption of foreign aid goes hand in hand with an upturn in growth.

Graph 4: Change in GDP per capita (1990 = 100)



Sources: IMF, International Financial Statistics, several years; World Bank, World Development Indicators, 2006.

Table 3: Development of real growth and inflation

Rwanda (%)	1989	1990	1991	1992	1993	1994	1995	1996	1997
Inflation	1.0	4.2	19.6	9.6	12.4	64.0	48.2	13.4	11.7
	1998	1999	2000	2001	2002	2003	2004	2005	2006
Inflation	6.8	-2.4	3.9	3.4	2.0	7.4	12.0	7.0	4.0

Burundi (%)	1989	1990	1991	1992	1993	1994	1995	1996	1997
Inflation	11.7	7.0	9.0	1.8	9.7	14.9	19.3	26.4	31.1
	1998	1999	2000	2001	2002	2003	2004	2005	2006
Inflation	12.5	3.4	24.3	9.3	-1.3	10.7	8.0	16.3	7.8

DRC (%)	1989	1990	1991	1992	1993	1994	1995	1996	1997
Inflation	104.1	81.3	2154.4	4129.2	1893.1	23760.5	541.8	617.0	199.0
	1998	1999	2000	2001	2002	2003	2004	2005	2006
Inflation	107.0	270.0	553.7	357.0	25.3	12.8	5.0	5.0	5.0

Sources: IMF, International Financial Statistics, several years;

Zaire/Congo saw the greatest economic regression in the first few years of the "Third Republic", that is, following the end of the single party system. Mobutu attempted to sustain his power using all available means. He divided the political classes, allowed soldiers to pillage on a large scale and emptied the state treasury. The Mobutu regime finally criminalised the state by using the mint to print "real false" currency. Akitoby describes how due to "the drop in revenue and the surging of expenditure, the government cash deficit reached extremely high levels. In the absence of external borrowing options, recourse was taken to central bank credit to fiancé the budget. As a result, the government accounted for the bulk of the increase in money." (Akitoby, 2004:227) This practice resulted in world-record hyperinflation and primarily affected the poor, who were unable to protect themselves against this institutionalised theft. Note also that the years which coincide with the First Congo War (1996-1997) and the first international African war (1998-2003) are not only the years where the economic regression was at its height. It were the final Mobutu (Third Republic) years that are marked by the most problematic figures, both in terms of economic contraction and inflation. It is however with the accession to power of the younger Kabila, after the murder on his father, that diplomatic relations were somewhat restored and international aid was resumed. This evolution coincided with a slight upturn in GDP per capita, a first sign of a Congo that had hopefully hit its rock bottom of economic regression.

On the other hand, Rwanda and Burundi shared a period of crisis and economic regression against a backdrop of instability and violence at the beginning of the 1990s. Nevertheless, from 1994 onwards their paths are very different. They illustrate how internal developments on top of exogenous factors produce very different economic results. Burundi saw a slow regression which corresponded to a long period of political instability and civil war where the country was ignored by the international community. It is not until several years after the end of the embargo on international aid (1998) that there was a slight upturn in GDP.

Rwanda saw its most spectacular drop in GDP figures with the radical and dramatic rupture caused by the genocide in 1994. Subsequently there is a marked upturn in GDP per capita, a phenomenon which is often associated in the literature with post-conflict periods (see Collier and Hoeffler, 2004). An important question is however up to which extent this growth is largely aid-induced. The danger exists that the inflow of externally financed funds hides the lack of a real increase in economic productivity and surmounting of structural limitations to increased production. The first signs of this might be appearing the last few years (2003-2005), as growth did not comply with projections of around 6%. In 2003, the Rwandan growth track stagnated, mainly due to rain shortage and a severe output collapse in the agricultural sector. In 2004, food price increases, growing energy prices and the resulting inflation problem, again tempered economic growth from 6% projections to 4% reality. In 2005, economic performance again improved. But in 2006, bad weather conditions resulted in severe food shortage for some regions which have again pushed down projections to about 3%. (IMF, 2006) This recent trend illustrates the vulnerability of Rwanda's economy to structural limitations, being confronted with a combination of overpopulation, resource scarcity and a limited potential for economic diversification away from subsistence agriculture. Also for the coming years, overall growth targets are lowered from originally 6% to projections between 4 and 4.5%. This would temper per capita growth to a quite modest 1.1 - 1.6%;[11] far below the 4 to 5% per capita growth portrayed as ideal in the first PRSP document. An important question arising from this is whether growth will be substantial and sustainable in the near future.

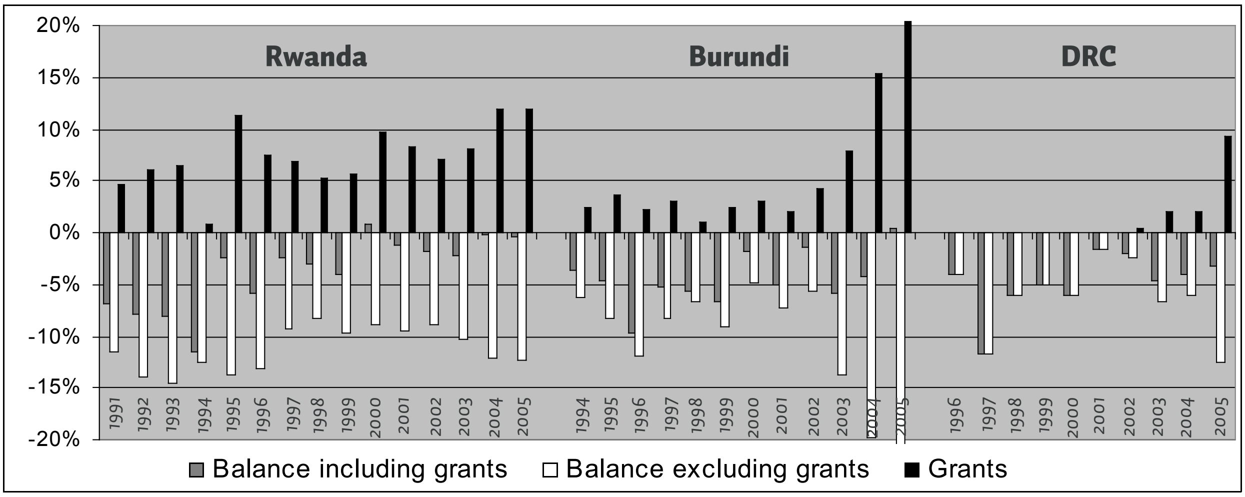
[11] Per capita growth rate based on overall GDP growth rate and continued population growth of around 2.86 % (2000-2002 average).

In order to measure the relative poverty of a country in comparison to the rest of the world, we can refer to the three countries' exchange rates. It is again DRC that is confronted with the most problematic situation. The loss of international purchasing power with the hyperinflation of 1993-1996 was extreme. But also during the first international African war (1998-2003) the relative impoverishment of Congo is so high that it is by no means comparable to the figures of

Rwanda and Burundi. The inflations speed of Rwanda and Burundi on the other hand, is largely comparable. Since Burundi did not receive much international aid and therefore benefited from less currency inflow than Rwanda, we would expect a much greater devaluation of its currency than Rwanda. This is not the case, which means that Burundi has been making greater efforts of its own.

The budgetary balance gives a more in-depth view on the efforts made by a country and the role played by foreign aid to ensure economic development. Graph 5 is noteworthy on more than one score. Firstly, Rwanda received considerable support from the international community, with the exception of the year 1994. This aid almost doubled after the genocide. On the other hand, if aid flows are not taken into account, the budgetary deficits in Rwanda are considerably higher than in the other two countries. So it is only when donations are included that Rwanda's performance in terms of budgetary balance is better. The improved governance of the current government in terms of budgetary control is therefore illusory. Also for Congo and Burundi, we can see that when aid is put in place, such as over the last few years, the budgetary picture changes considerably. If all other things are equal, aid can be considered as international public revenues which enable a country to spend more in real terms.

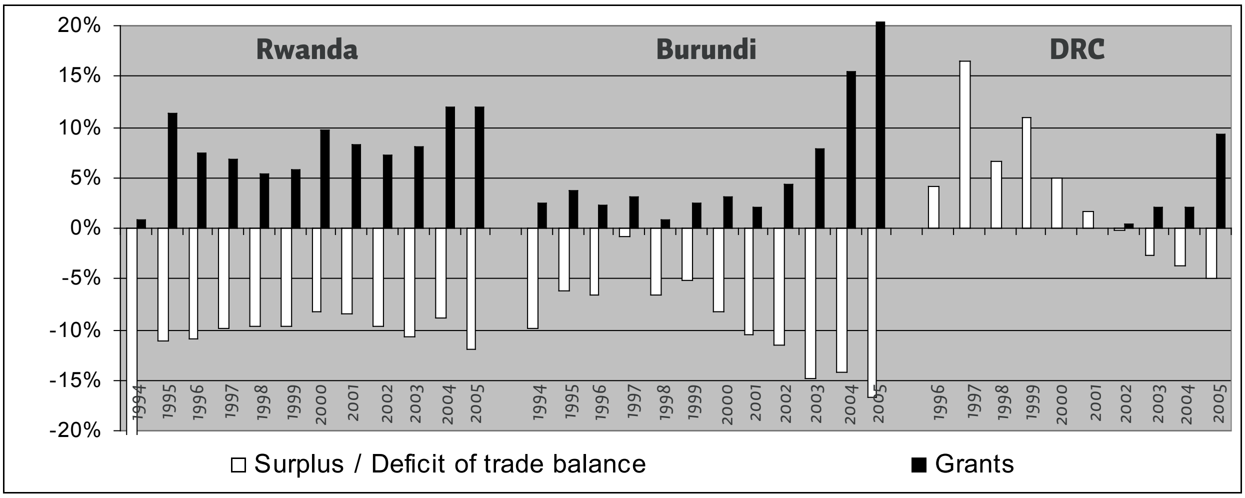
Graph 5: Budgetary deficit (excluding and including grants)



Sources: IMF, International Financial Statistics, several years; World Bank, World Development Indicators, 2006.

When analysing external imbalances in these three countries, the same picture appears (see Graph 6). First, Rwanda is capable of importing more than it exports; in other words, international community finances allow Rwanda to live beyond its internal means. Burundi, by contrast, had much smaller deficits up to 2004, not because exports were greater but rather because the inflow of imports was limited by the lack of access to international finances. On the other hand, Congo is the only country which is capable of generating a trade surplus. This demonstrates the difference in terms of natural resources: while Rwanda and Burundi are incapable of independently generating a surplus from their poor resources, DRC can do so. Graphs 5 and 6 also illustrate that a large country naturally has a tendency to receive relatively less aid, certainly when recalculated in per capita terms. This persists even after the end of DR Congo's international isolation.

Graph 6: Trade deficit (excluding and including grants)



Sources: IMF, International Financial Statistics, several years; World Bank, World Development Indicators, 2006.

The analysis above illustrates how aid did play a role in the diverging economic performances of the three countries. While Rwanda benefited from substantial aid and realised considerable economic progress, Congo and Burundi were largely isolated and economic development was disappointing. The argument for excluding countries from aid or discriminating between countries has been justified on the basis of higher aid effectiveness in some (Rwanda) and less aid effectiveness in other countries (Burundi and Zaire/Congo). However, the question remains whether the three Great Lakes countries were after all so different in terms of aid-use potential to justify the difference in preferential treatment.

4.2. "Good governance" in the three countries.

In the new aid paradigm, the credibility of a country to ensure aid effectiveness is based on good governance criteria. By the end nineties, two influential papers (Burnside and Dollar, 2000 - first appeared in 1997; World Bank, 1998) looked at the link between aid effectiveness and good governance. They highlighted the importance of good policy making and institutional capacity as important elements in decisions on aid allocation.

However, there seems to be ambiguity about the exact meaning of good governance. Hout (2004) differentiates between on the one hand the technocratic approach to governance and on the other hand the political approach to governance. Technocratic governance focuses on the way in which the public sector is managed, while political governance relates to "the way in which the political and legal system of developing countries is organised". Combining elements from different authors (Leftwich, 1994; Hoebink 2001),[12] Hout enumerates what characterises each type of governance, as summarized in the following table 4.

[12] See e.g. Leftwich (1994); Hoebink (2001).

Table 4: A Technocratic versus a Political approach to Governance

Technocratic approach to governance	**Political approach to governance**
Accountability of government officials	Human rights and political liberties
Legality: laws providing predictability for the public sector	The nature of the political regime
Availability of information about government policies	Freedom of press
Transparency	Ability of civil society to organise

Source: Hout (2004, p.610).

In decisions on allocating aid, donors tend to refer to technocratic elements of governance rather than to political sensitivities. An illustration of this is the general message of the World Bank "Assessing aid" report, strongly highlighting the importance of sound management for aid to have more impact. Good management is linked to policies that result in low inflation, no large fiscal imbalances, and an open trade regime. Institutional quality involves measuring the strength of the rule of law, the quality of public bureaucracy, and the pervasiveness of corruption. (World Bank, 1998:12)

In order to see how the three Great Lakes countries perform with respect to several dimensions of good governance, we used the Kauffmann, Kraay and Mastruzzi governance indicators (2005), see table 5. We represent the data in the form of a 'diamond',[13] see graph 7. The reference values 0 and 1 in the 'diamond' indicate respectively the worst-case scenario in sub-Saharan Africa (year 2000) and the sub-Saharan average (year 2000). The black 'diamonds' indicate the average performance of sub-Saharan Africa. The grey 'diamonds' show the performance of the specific countries, which can be used to analyse (1) an individual country, (2) relative performance between countries and with the sub-Saharan average, and (3) relative performance over time.

Table 5: A classification of elements of governance according to donorsensitivity

Aspects of governance to which international donors are more sensitive	**Aspects of governance to which international donors are less sensitive**
GE Government effectiveness	**VA** Voice and accountability
RB Regulatory burden	
CC Control of corruption	
RL Rule of law	
PS Political stability (?)	

Source: authors' reclassification of Kaufmann et alii. (2005) indicators.

Two important issues appear from graph 7. First, Rwanda is clearly good at performing well in those domains of governance to which international donors are sensitive. Government effectiveness, the regulatory burden, control of corruption, and the rule of law are four indicators that all relate to the highly valued "institutional quality" the World Bank defined as a basic requirement for good management and aid effectiveness. These indicators can be found at the up – right – down-side of the 'diamonds'. Over the years, the right-hand side of its 'diamonds' frequently surpasses the Sub-Saharan average. On the other hand, Rwanda performs far below the Sub-Saharan standard when it comes to "voice and accountability". This is confirmed by other research of Renard and Molenaers stating:

"On the technocratic level, the Rwandan government is engaged in serious reforms […] The willingness of the Rwanda government to account to donors in the technocratic sense is good. […] On the political level, less willingness to be accountable to donors can be found. Illustrative is the protracted involvement (1996-2002) of Rwanda in the war in the Democratic Republic of Congo and how the government strongly resisted donor pressure to withdraw." (Renard and Molenaers, 2003:17-18)

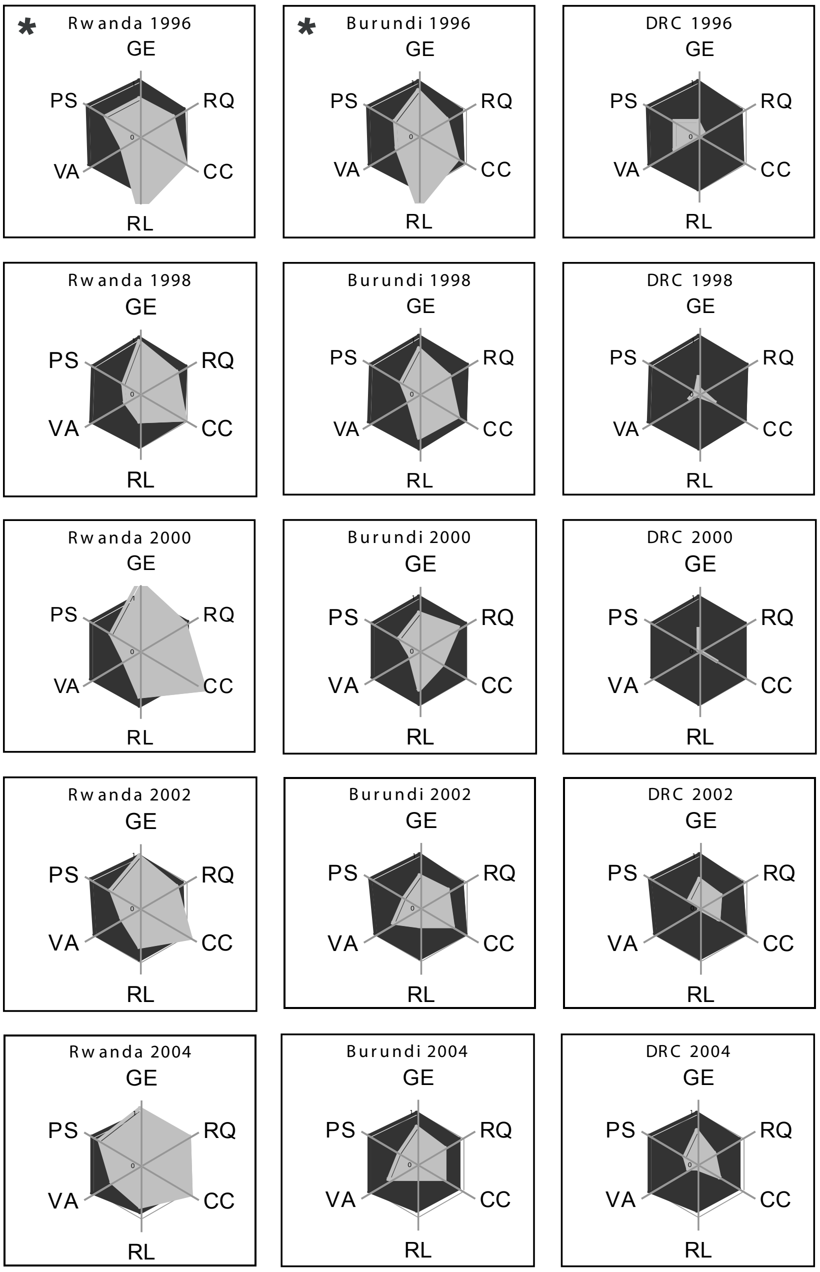
[13] The reference values 0 and 1 in the 'diamond' indicate respectively the worst-case scenario in sub-Saharan Africa (year 2000) and the sub-Saharan average (year 2000). For the three countries in question and the sub-Saharan average, the indicators are therefore indexed with reference to the year 2000. We took the year 2000 as a reference point for all the 'diamonds' in order to have a fixed basis for comparison and to allow the 'diamonds' to be evaluated with respect to time. Where data was not available, the value for the country in question from the previous or subsequent year is indicated in order to avoid a situation where the shape of the 'diamond' is distorted by the absence of a value. The black 'diamonds' indicate the average performance of sub-Saharan Africa. For the year 2000, this 'diamond' corresponds exactly to the unit 'diamond' (each index is equal to 1). For the other years, the black 'diamond' indicates how the sub-Saharan average develops with respect to the year 2000. The grey 'diamonds' show the performance of the specific countries, which can be used to analyse (1) an individual country, (2) relative performance between countries and with the sub-Saharan average, and (3) relative performance over time.

Taking into account the considerable amounts of aid received by Rwanda over the second half of the nineties, it is clear that political aspects of governance (such as "voice and accountability" or "political stability" in this case in DRC) have counted less in decisions on aid allocation.[14]

A second issue is whether aid-darling Rwanda did perform so much better in terms of "good governance" compared to the other two aid-orphan countries. A noticeable aspect is the strong resemblance between the governance 'diamonds' for Rwanda and Burundi in 1996 and 1998. Nonetheless, Burundi was an international pariah during those years, while Rwanda profited from large post-genocide aid allocations. This comparative perspective suggests that there was little reason for depriving Burundi from international financing. Congo on the other hand did perform very poorly on all governance dimensions. The deterioration of the state, which went hand in hand with the economic regression and isolation of Zaire/Congo from 1990 to 2002, obviously translates into lamentable performance indicators in terms of governance. On the other hand, Congo disposes of networks parallel to the state, able to take over important aspects of public service delivery (health, education) in an efficient and accountable way. Allocating substantial aid through these networks was however not seen as a viable option by international donors. This illustrates the weakness of emphasising the central role of the state in aid allocation, especially in countries with a weak state.

14 This statement should be somewhat nuanced given that some donors (often referred to as the "old donors") did abandon giving budgetary aid on the basis of criteria related to political freedom. Other donors (often referred to as "new donors") took however the technocratic accountability of the Rwandan government as an important guarantee for aid effectiveness.

Graph 7: "Governance diamonds" for the 3 countries



* *Data for CC (Control of Corruption) not available, value imputed*

4.3. Does aid pay off?

The question remains whether good technocratic governance does ensure aid effectiveness by resulting in rapid development and poverty reduction. Our previous analysis suggests that aid did indeed pay off for Rwanda in terms of growth figures and better economic performance. However, as mentioned, there is a high risk that this growth is not underpinned by increasing productivity in the rural and other sectors. Another issue is then whether this growth translated into substantial poverty reduction.

Rwanda indeed has an important poverty problem. On the basis of the following table, 60.3% of the population is poor, among which two third are extreme poor (living under the food poverty line). The poverty line used here is country specific. If one would have used the international poverty line of 1$ per day, poverty incidence would be even higher. Poverty is a largely rural phenomenon. 97.5% of the poor and 98.5% of the extreme poor live in the countryside. Also severity of poverty is more problematic in rural areas.

Table 6: Poverty in Rwanda

		Poverty line 1 = 64.000 frw (ae) per year	Poverty line 2 = 45.000 frw (ae) per year
	Population share	Po	Po
Kigali urban	7,4%	12,3%	4,5%
Other urban	3,0%	19,4%	9,8%
Rural	89,5%	65,7%	45,8%
Total	100,0%	60,3%	41,6%

Source: Minecofin, 2002A; Minecofin, 2002B.

Remarks:

(1) Poverty line 1 corresponds with 164$ per year per adult equivalent and lies below the international poverty line of 1$ a day per adult equivalent. This countryspecific poverty line corresponds to the cost of the minimal basic needs (food and others), and was determined by the Rwandan government.

(2) Poverty line 2 corresponds with 115$ per year per adult equivalent. This "food poverty line" is equivalent the cost of a food basket of minimum 2500 kcal per adult per day.

To determine whether and to which extent strong post-conflict economic growth was for the benefit of the poor, we should compare Rwanda's growth elasticity of poverty with cross-country averages. Different research sources conclude to an average growth elasticity of poverty within the interval -2.0 and -3.0. This implies that a positive (or negative) economic growth rate of 1% should lead to a 2% - 3% decrease (or increase) of poverty in percentage terms, (World Bank, 2000; Ravallion, 2001; Adams, 2004). When considering the Rwandan post-war experience, there seems little reason for much optimism. A strong Rwandan growth corresponds with limited poverty reduction, much less in comparison to cross-country averages. An elasticity of -0.37 (for period 1994-2000) implies that each percentage of economic growth only led to a disappointing 0.37% decrease in poverty incidence, (Ansoms, 2005).

Table 7: Growth elasticity of poverty (Rwanda)

	1994-2000
% change in poverty incidence	-17.61%
% change in GDP per head (cst LCU)	47.32%
Poverty Elasticity	-0.37

Source: Ansoms, A., 2005.

The Rwandan case, with its disappointing derived effect of post-conflict growth on poverty incidence, thus illustrates that good technocratic governance is no automatic guarantee for translating aid-induced economic growth into pro-poor development.

5. By way of conclusion

The differential treatment of the countries of the Great Lakes region in the post-Cold War period goes hand-in-hand, or coincides, with improved economic development for the 'darling' of the region (Rwanda) and economic regression for the 'orphans' of the region (Burundi and DR Congo). It is only in the last few years that this imbalance on the part of the international community has begun to change. The observation made here raises various questions and comments.

First of all, is this just a coincidence, or is it causality? In order to prove systematically that the exogenous factor i.e. aid, makes a difference to the economic development performances of the countries, the internal/endogenous factors would have to be directly comparable. This is always problematic outside of laboratory conditions. However, although the question of coincidence or cause is difficult to prove, there are still various reasons to suppose at least partial causality.

We can certainly say that it is difficult to compare Congo, with its rich potential in terms of natural resources but failing state mechanisms, with countries like Rwanda (but also Burundi), which is a small, land-locked country with few natural resources and developmental advantages but has a tradition of better performance in terms of technocratic governance. The international community and donors trumpet the superior governance in Rwanda to justify a higher level of aid intervention. Although this argument might hold up in differentiating between Congo and Rwanda, it is more problematic when it comes to Rwanda versus Burundi. As we have seen in this article, the governance indicators for the two countries were broadly comparable. Moreover, the two countries have very similar internal characteristics in terms of sociological heterogeneity and material resources. The two countries are also both highly dependent on aid as their sole external resource. As we have seen, other financial flows such as direct foreign investment play a very marginal role in the development of the two countries. Given these conditions, it is therefore not particularly surprising that the 'darling' country, which receives aid to the tune of half of its national budget, performs better in terms of eonomic development.

Another argument used in the international community for this discrimination in terms of aid is that of political stability and the need for a minimum level of security in order for aid to be effective. Thus the increase in aid to Rwanda corresponded to the post-conflict and post-genocide period, while Congo and Burundi were still in a phase of conflict and therefore could not receive the same level of aid. But this argument is also shaky in various respects. First, the reasoning according to which aid cannot be given to countries in conflict is unconvincing. More than half of

Congolese territory was in government hands, and even if there were doubts as to the capacity for governance of Laurent Kabila's government, or the Burundian government, use could have been made of civil society channels, which were still working and trustworthy in these countries. The increase in aid to Rwanda after the genocide was much more substantial than the level of aid granted to Congo and Burundi in their current post-conflict phase. Moreover, although Congo and Burundi were not involved in the civil war and the subsequent genocide in Rwanda, Rwanda exported its problems to Congo and also, to a lesser extent, to Burundi. Millions of refugees were trapped in the territories of the neighbouring countries, and Rwanda together with Uganda triggered war on two occasions on Congolese soil, at the cost of millions of lives.[15]

[15] According to estimates from the International Rescue Committee, around 3.5 million people have directly or indirectly lost their lives in the wars in Congo.

In sum, a few conclusions emerge from this discussion. First, the good news for the international community is that international aid can certainly make a difference to the development performance in countries which are highly dependent on aid, as is shown by the cases of Rwanda and Burundi. The bad news is that the differential treatment of the countries of the Great Lakes region of Africa is not based on international good governance criteria, but rather stems from political motivations, which are often well-intentioned, as after the Rwandan genocide, but not particularly comprehensible or effective in promoting development in the region.

However, thanks to the voluntarism of actors within international organisations such as the IMF and the World Bank, this situation seems to have redressed itself somewhat in the data from the last few years. There is nonetheless currently a very worrying gap between the promises of aid to DR Congo made in Brussels in February 2006 and the payments actually being made. The promised funds were supposed to finance initiatives to guarantee the peace during the elections and in the reconstruction phase and they are indispensable in consolidating peace in the region. There is a substantial risk that DR Congo will continue to be an aid 'orphan', but more than that: the human cost of any complete disintegration of the region due to inadequate aid would be incalculable. Therefore we could only strongly support the plea that has been made by Collier (2006) for new aid instruments in the context of weak governance or failed states. Indeed the assumption by the new aid paradigm and its selectivity criterium that only states with strong governance can usefully absorb huge aid flows needs to be revised. This plea by Collier is not new and is based on the theory of the "Big Push" that was advocated half a century ago. The rationale behind the idea is that failed states are characterised by 'treshold externalities' and that it needs to build up its institutions such as an effective army, a trustworthy civil service, a minimal infrastructure, etc. This is an enormous challenge for the international community because there is not much experience with "big pushes". Many questions arise within this context. What kind of conditionality has to go with these new flows? Can countries accept a loss of sovereignty if the international community will partly have to substitute for the weakness in governance? However, many lessons in Aid delivery have been learnt and the international community is freed from the ambiguous past of the cold war geopolitics, so may be the challenge for a better future for these poverty stricken regions is more feasible than in the past.

Finally, one of the structural problems in multilateral and bilateral organisations is that these donors' instruments are organised around policies and solutions on a 'country by country' basis. Decisions are made separately rather than in a coherent fashion for the whole region, and what is lacking, therefore, is a clear view of the implications of this approach at regional level.

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