

The Autonomous Development Fund Model: A Reply to Olatunde Ojo

GORAN HYDEN

Professor Olatunde Ojo has provided a critique of my article on the role that autonomous development funds (ADFs) may play in reforming foreign aid, particularly in Africa (*African Studies Quarterly* Volume 2, No 2). I am grateful for the interest that he and his colleague at the University of Montana, Professor Peter Koehn, have shown in this project. Together we share a concern about the problems that foreign aid have generated on the African continent, but judging from Ojo's article, we also have different views about how aid may be best salvaged and improved at this point in Africa's postcolonial development. There is much that could be said in response to Ojo, but in the interest of time and space, I shall confine myself to the following points:

(1) characterization of the Fund model; (2) the mandate of the Fund; (3) its relation to Government; (4) the role of the Fund in relation to grassroots activities; (5) the attitude of donors; and (6) the costs of setting up ADFs.

Before proceeding to a more detailed discussion of each of these points, however, it may be useful to remind the reader of what the ADF project is all about. The idea of reforming foreign aid so that it becomes more accountable to constituencies in the recipient country is not new but has gained momentum in the 1990s because of the general trend toward strengthening democracy and governance structures in African societies and also because donors are uneasy about the extent to which many African governments have become donor dependent. The ADF is an effort to find a way of responding simultaneously to concerns among reform-minded Africans and friendly donors to improve the prospects that foreign aid will come to better use than it has in the past four decades since independence. Such a call may not seem new given that foreign aid has been subject to various types of reform in the past, but to little avail. The difference now is that the whole future of foreign aid to Africa is at stake and conceptualization of the problem, therefore, has to go beyond what is "business as usual". The ADF model is cast in this perspective. It is meant to provide a demand-driven use of foreign aid that springs from initiatives that are genuinely conceived and owned by African organizations or communities. It caters for both public, private and voluntary sector initiatives on a competitive basis, which gives equal chances of financing to government (central as well as local), voluntary organizations, and possibly--depending on the mandate of the fund-- also private sector

Goran Hyden, Ph.D., is Professor of Political Science at the University of Florida. He is the author of *Governance And Politics In Africa, No Shortcuts To Progress: African Development Management In Perspective*, and *Beyond Ujamaa In Tanzania: Underdevelopment and an Uncaptured Peasantry*. He is also past president of the African Studies Association.

<http://www.africa.ufl.edu/asq/v2/v2i4a5.pdf>

enterprises. By encouraging institutions in the three sectors to internally compete for resources, the assumption is that better and more feasible projects will be generated since only the very best would be funded, at least initially. Others would not necessarily be wasted but would have to be resubmitted after revision.

The key to success is joint ownership of the ADF by stakeholders in government, civil society, and among the resource providers in combination with the establishment of a professional board that is independent from control by the political executive. In this respect, the ADF would resemble a bank, judiciary, or research council that is expected to make decisions on grounds of merit and feasibility only. This feature has been deemed particularly salient in this model by both Africans and others who have had reason to comment on it. Patronage politics is a curse all over sub-Saharan Africa and is at the bottom of much of the corruption and inefficiency that characterizes the public sector in these countries. The challenge, therefore, is to insulate the influence of patronage as much as possible and establish rational and procedural policy criteria for governance. The tripartite ownership of the funds is also meant to localize accountability to the recipient country rather than having organizations in these places--whether governmental or non-governmental--responsible primarily to donors instead of their own citizens.

The ADF is not a magic solution to Africa's governance problems but it is potentially as important for the future development of these countries as many other measures that have been recommended by donors or by Africans in the name of "good governance". At a time when so much else has proved unfeasible or unsuccessful in Africa, this model helps to reorder institutional relationships in ways that are radical, yet not beyond what donors and recipient governments may consider acceptable in order to save the foreign aid enterprise.

1. Characterization of the Model:

Ojo's article contains a number of general references to the model that are misleading, if not outright mistaken, and it is important to set the record straight. First of all, the key word in the name of the project is "autonomous", one that Ojo completely ignores and refers to instead as "national" development funds. This is important because the scope of its mandate--national or regional--is less important to the operation of this type of fund than its status as being free from political direction by a single source. To be sure, autonomy is not absolute in this case, but it is still relevant, because the emphasis is on insulating resource allocation from patronage-inclined politicians and thereby restoring people's confidence in public authority. This is especially important at a time of multi-party politics, because the tendency throughout Africa is that those who vote for the opposition tend to be deprived of public resources by those who make decisions in government. With the establishment of ADFs, resources would be allocated on terms that are independent of partisan loyalties.

The second thing about Ojo's characterization of the ADF is that it is not something that only I have invented. There should be no such thing as a "Hyden" model. True, I was instrumental in helping to develop the model, but it is originally an African initiative, and many others, not the least the leadership of the African Association for Public Administration and Management (AAPAM), which is the principal vehicle for promoting it in Africa, has been very

important in providing ideas about how the model should be operationalized. In all fairness, therefore, it is wrong for me to accept the identification of the project with my own name.

2. The mandate of the Fund:

There are two issues that I want to clarify here. Ojo wonders why the ADF should be concerned with only development projects. The programmatic mandate of these funds has been defined foremost in relation to development projects, but there is nothing to prevent the funds from being used also in other sectors. For example, a Cultural Development Trust has been established in Tanzania incorporating all the managerial and operative principles inherent in the ADF model. Since Ojo seems to assume that infrastructural projects are ruled out, it may be necessary to include a comment here that minor projects may of course also be funded through a mechanism like ADF. The reference to excluding such projects that is made in my article stems from the fact that government and donor representatives noted that there are already in existence specific tender procedures for awarding large-scale infrastructural projects. These international rules need not be replaced because, to the extent that they function, they reflect the same values as inherent in ADF, namely professionalism, feasibility, and transparency.

The other aspect under this heading concerns the geographical coverage of an ADF. When the project was developed, the emphasis, not the least among Africans, was to stress its national scope or mandate, because if constituted at the regional level, it may be more difficult to insulate the project from parochial political interests. Experience with community development foundations, established at regional or district levels, i.e. at sub-national levels, e.g. by the Ford Foundation, suggests that such a fear may have been exaggerated. An ADF, therefore, could be conceived as a regional or district-based institution provided it is not confined to one or a few such sub-national units only, since it may imply ethnic favoritism and thus brand the fund from the beginning as being parochial rather than professional.

3. Relations to Government:

Ojo displays a rather ambivalent attitude toward government. On the one hand, he seems to defend it by implying that it is necessary for regulating economic development. On the other, he advocates the need to by-pass government in order to reach the grassroots organizations that presumably constitute the best hope for development in his view. The ADF project tries to overcome this type of contradiction or dichotomization. Contrary to what Ojo says in his article, the ADF model realizes that government must be part of the project. This is anticipated in three different ways. The first is that government approves the establishment of ADFs by signing a contract with one or more donors to that effect. The second is that government is part-owner of the fund. The third is that specific departments under aegis, whether at central or local government level, are able to compete for financing from the ADFs.

Given that African governments are increasingly starved of funding by the donors because they do not live up to their political or economic conditionalities, the former stand to gain, not lose, from adopting this model. It provides an opportunity to demonstrate a genuine interest in improving governance, an initiative that donors would appreciate. Their concern is that red-

tape and corruption in public institutions at present limit the usefulness of their grants or loans. Unless new forms of realizing a partnership can be found, therefore, foreign aid is likely to dry up and disappear.

Yet another aspect of this issue is that donor funding that goes directly to government has become an albatross around the necks of both donors and African governments. The international community today finances not only parts of the development budget but also a considerable share of the recurrent budget. This means that African states can no longer finance their core administrative and coercive activities. This level of dependence is not only politically embarrassing to African countries, but it is also a source of tension that often paralyzes the uses of these grants or loans. The ADF is aimed at allowing donors to retreat from this role and to enable African governments to become more reliant on revenues from domestic sources to finance recurrent activities. This way, the ADF also provides a method for ensuring that accountability is redirected away from its current focus on the donor community towards constituencies within the country.

4. The Role of the Fund in Relation to Grassroots Activities:

Ojo seems to believe that the ADF, because it is national in scope, will be confined to the macro level without being able to reach the grassroots communities. It is important to counter that the ADF is not an operative institution, only a funding mechanism. The extent to which the grassroots communities and groups will benefit, therefore, depends in the end on how intermediary organizations--governmental or non-governmental--are capable of incorporating these groups and communities into their activities. The ADF is potentially accessible even to the most marginalized groups, provided organizations, willing to work with such people, are ready to act as their mouthpiece. In fact, one of the suggestions that have been made in the ADF discussions has been to confine the mandate of such funds to groups that are marginalized, e.g. women, small-scale peasant farmers, and informal sector entrepreneurs. The specification of uses along such lines is a policy issue that the board of an ADF may decide upon.

5. The Attitude of Donors:

It is a mistake to characterize the donor community at large as being only self-interested. There are great variations in opinion and perspective within that community. Even though most donors--like most African governments--today accept the "Washington consensus" as a necessary economic framework, donors, especially the bilaterals, have different attitudes toward Africa. The U.S. position is on one end, representing a neo-realist perspective which implies that foreign aid is justified only as long as it serves national security or economic interests. The Scandinavian and Dutch governments can be found on the other end, indicating a much greater readiness to allow African views to enter into their calculations before a final decision is made. To be sure, none of these positions gives African views the prominence that they deserve in order to make foreign aid work. It is precisely because of this shortcoming that the ADF has been conceived, because it allows for dialogue among what are equals in the context of the ADF board. By encouraging donors to place resources in funds rather than in specific projects, the ADF model also reduces the possibilities for donors to micro-manage

African development, a tendency which has had very detrimental effects on African development in the past. Donors need to be enticed to establish relations of partnership in which operationally there is more symmetry in the relations than has been the case to date. ADF is conceived as being the mechanism to realizing such an objective.

6. The Cost of the Fund:

Ojo implies that the ADF would be too costly and that therefore it stands no chance of becoming a reality. I have grave reservations about both the argument and the figures on which it is based. First of all, given the vast amounts of money that have been wasted in foreign aid projects in the past, there is no way that the ADF model can be rejected on the basis of cost considerations. The whole point about the model is to ensure more effective use of resources and thus savings in relation to the amounts that have been issued in the past. By preempting the use of technical experts from outside, the costs of operating the funds would be considerably cheaper than technical assistance in previous years. What is more, by stimulating people to work together to formulate and implement projects, there is a good chance that results will be achieved by the use of social capital in combination with financial capital. In other words, if collective action is enhanced, which is again one of the objectives inherent in the ADF model, transaction costs will be reduced and results achieved at much more reasonable expense than in the past. The notion that the ADF will produce a large-scale bureaucracy is mistaken, and certainly not inherent in the way the model is being operationalized. Finally, it is important to emphasize that many Africans have expressed the need for ADFs to become financially self-reliant, i.e. they would rely on loans which, as in the case of banks, also finance overhead expenses. This might not be possible to accommodate with the notion of reaching the marginalized groups in society, unless the ADFs are capitalized in financial markets and thus capable of raising their own money. Such an approach should not be ruled out, although the weakness of the capital markets in Africa at present may limit the usefulness of that option.

In conclusion, and as a postscript, I wish to add that the ADF is now being implemented in various places around Africa. It is no longer merely a model on paper. Reference has already been made to the Cultural Development Trust in Tanzania. It is run by a board made up of representatives of the various groups constituting the cultural sector in that country, the Ministry of Education and Culture, and the donors. The latter two have a minority representation on the board, but are strong enough to express their views and draw attention to matters that members of the cultural sector may ignore. An income-generating fund in the same country, funded originally by the European Union, but now attracting other donors as well, operates to every one's satisfaction. Its operative features have been adjusted to reflect the ADF model after discussion on its board. A similar income-generating fund, targeted on marginalized groups, is currently under consideration in Zambia. Also, in Ghana, there are efforts to put in place a funding mechanism like the ADF. The final point to be made here is that as these, and other similar initiatives, are being implemented, more experience will be gained in terms of what works or what does not work. Many of the questions that Ojo and others have, therefore, will be further answered from the evolving practice of implementation.