

Serina Howard – student n.º 26632

Assessing the Paris Declaration: Swaziland's Ownership over Poverty Reduction Strategies and Priorities

Master Dissertation in International Cooperation and Development

Supervisor: Prof. Dr. Paulo Vila Maior



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Resumo

A diminuição da pobreza é um dos objetivos mais importantes das políticas de desenvolvimento dos países em vias de desenvolvimento (PVD) que, todavia, está ainda longe de ser alcançado. As medidas de diminuição da pobreza, quer ao nível local quer ao nível nacional, não têm sido satisfatórias, o que remete para as ações ao nível global (WorldBank, 2001, p. vi). Nos seus esforços no sentido de aumentar a eficácia da ajuda ao desenvolvimento, os doadores de ajuda e os países recipientes estão comprometidos a conferir maior eficácia às ajudas para irem de encontro à Declaração de Paris (OECD, 2005, p. 1). A Declaração de Paris estabeleceu cinco princípios que os países doadores e os países recipientes de ajuda ao desenvolvimento devem respeitar para garantirem a eficácia da ajuda ao desenvolvimento. Também ficou estabelecido que a responsabilidade do processo de desenvolvimento pertence aos países que recebem ajuda ao desenvolvimento, o que remete para o papel de liderança e autonomia dos respetivas políticas e estratégias de desenvolvimento (OECD, 2005, p. 2). O objetivo desta dissertação é analisar os esforços empreendidos pelo governo da Suazilândia no sentido tomar a liderança das políticas e estratégias de redução da pobreza, em conformidade com a Declaração de Paris e com a Agenda de Accra. A Suazilândia é um caso cheio de complexidades pelo facto de ser classificada como país de baixo-médio rendimento e, não obstante, 69% da população viver em miséria, por ser um dos países com menor taxa de crescimento económico da região subsaariana, e por ter uma das maiores taxas de incidência da SIDA/HIV. Perante estes desafios socioeconómicos, as autoridades da Suazilândia devem ser cuidadosas na escolha das prioridades relevantes para o desenvolvimento e para a diminuição da pobreza.

Abstract

Poverty reduction is one the most important development agenda's for much of the developing world, and it is a challenge that is yet to be met. Poverty reduction actions at the local and thenational levels have not been enough, which is why global action through development aid plays such an important role countries take action to end poverty (World Bank, 2001, p. vi). In its efforts the increase the impact aid has in poverty reduction, donor and partner countries are committed to "(...) scale up for more effective aid", as stated in the Paris Declaration (OECD, 2005, p. 1). The Paris Declaration agreed on five key principles that donors and partner countries need to adhere to in order to ensure the effectiveness of aid. Most importantly, it was also agreed that development is the responsibility of developing countries by taking greater leadership over their development policies and strategies (OECD, 2005, p. 2). The purpose of this dissertation is to assess the efforts made by the Government of the Kingdom of Swaziland in taking greater leadership over its poverty reduction policies and strategies as stated in the Paris Declaration and the Accra Agenda. The case of Swaziland is filled with complexities as it is classified as a lower-middle income country and yet 69 per cent of the population lives in poverty, it is one of the slowest growing economies in sub-Saharan Africa and has the world's highest HIV/AIDS prevalence. Faced with these socio-economic challenges, it is important that the Government of Swaziland makes the right priorities that will effectively address the development challenges in the country and will assist in poverty reduction.

This dissertation is dedicated to the loving memory of my father, Lloyd Zwelakhe Howard.

Acknowledgements

This dissertation would not have been possible without the assistance of a few individuals. First and foremost my mother Thembi Orah Shongwe, thank you for your support throughout this entire process. I would also like to extend my sincere gratitude to my supervisor Prof. Paulo Vila Maior, thank you for your guidance and advice. I would also like to thank Mr. Depaak Sardiwal from the Ministry of Economic Planning and Development of the Kingdom of Swaziland.

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ACRONYMS

| | |
|--------|---|
| ACMS | Aid Co-ordination Management Section |
| ACP | African, Caribbean, and Pacific |
| AGOA | African Growth and Opportunity Act |
| AIDS | Acquired Immune Deficiency Syndrome |
| AMSPC | Accompanying Measure for Sugar Protocol Countries |
| BADEA | The Arab Bank for Economic Development in Africa |
| CMA | Common Monetary Area |
| COMESA | Common Market of Eastern and Southern Africa |
| CRC | Constitutional Review Commission |
| CSO | Civil Society Organisation |
| DAC | Development Assistance Committee |
| EAC | External Assistance Committee |
| EPTA | Extended Program for Technical Assistance |
| ERC | Economic Review Commission |
| ERS | Economic Recovery Strategy |
| EU | European Union |
| FAO | Food and Agriculture Organisation |
| FAR | Fiscal Adjustment Roadmap |
| GATT | General Agreement on Trade and Tariffs |
| GDP | Gross Domestic Product |
| GFATM | The Global Fund to Fight AIDS, Tuberculosis, and Malaria |
| GNI | Gross National Income |
| GNP | Gross National Product |
| GoS | Government of Swaziland |
| HIV | Human Immunodeficiency Virus |
| IBRD | International Bank of Reconstruction and |

| | |
|--------|---|
| | Development |
| IFAD | International Fund for Agricultural Development |
| IMF | International Monetary Fund |
| INM | Imbokodvo National Movement |
| LDC | Less-Developed Country |
| MDG | Millennium Development Goals |
| MEPD | Ministry of Economic Planning and Development |
| NDS | National Development Strategy |
| NERCHA | National Emergency Response Council for HIV/AIDS |
| NGO | Non Governmental Organisation |
| NNLC | Ngwane National Liberatory Congress |
| ODA | Official Development Assistance |
| OECD | Organisation for Economic Cooperation and Development |
| OPEC | Organisation of Petroleum Exporting Countries |
| PBA | Program Based Approach |
| PEPFAR | President's Emergency Plan for AIDS Relief |
| PFM | Public Financial Management |
| PRSPs | Poverty Reduction Strategy Papers |
| PRASP | Poverty Reduction Action Strategy Plan |
| RMA | Rand Monetary Area |
| SACU | Southern African Customs Union |
| SADC | Southern African Development Community |
| SHIES | Swaziland Household Income and Expenditure Survey |
| SNC | Swazi National Council |
| SNL | Swazi Nation Land |

| | |
|--------|--|
| SRA | Swaziland Revenue Authority |
| SSA | sub-Saharan Africa |
| SWAp | Sector Wide Approach |
| UN | The United Nations |
| UNAIDS | United Nations Programme on HIV/AIDS |
| UNDAF | United Nations Development Assistance Framework |
| UNDP | United Nations Development Programme |
| UNESCO | United Nations Educational, Scientific, and Cultural Organisation |
| U.S | United States |
| USAID | U.S. Agency for International Development |
| USG | United States Government |
| USSR | The Union of Soviet Socialist Republic |
| VAT | Value Added Tax |
| WFP | World Food Programme |
| WHO | World Health Organisation |
| WTO | World Trade Organisation |

I. Introduction

1.1. Problem Statement and Rationale

The series of commitments made at the United Nations Millennium Summit in September 2001 marked the endorsement of the United Nations Millennium Declaration. This endorsement reflected a new commitment towards a global partnership to reduce extreme poverty. It set out a series of targets known as the Millennium Development Goals (MDGs¹) (UNAIDS, 2013). The MDGs are a reflection of the contemporary aid architecture, and the dramatic paradigm shift in development thinking. There has been an evolution to the approach of poverty reduction over the past fifty years. Such an evolution can be traced back to the investments in physical capital and infrastructure during the 1950s and 1960s, the focus on health and education in the 1980's, the role of governance and institutions in the 1990's, (World Bank, 2001, p. 6), to the current approach which places the achievement of MDGs at the centre of the stage. Having said that, development assistance to sub-Saharan Africa (SSA) remains somewhat of a mystery to the international policy community. Like the international evolution of the approach toward development assistance, Africa's has witnessed its fair share of strategies and approaches which have ranged from the modernisation theory in the 1960s to providing support to services aimed at meeting basic human needs, and to the neo-liberal market theories and good governance, and yet poverty persists (Hyden, 2007, p. 16751). The current international development aid architecture aims at addressing issues of poverty reduction by improving the effectiveness of aid (Cassimon & van Campenhout, 2007, p. 742).

One of the primary objectives of foreign aid in developing countries is to assist in economic growth, and equally important is the objective of poverty reduction. According to Burnside and Dollar (1998, p. 2), "(i)n general, poverty reduction and growth go hand-in-hand, but it is still possible that foreign aid has been successful in mitigating poverty but not had much measurable effects on growth". Burnside and Dollar (1998) recognised that poverty reduction cannot only be limited to economic growth but can also be achieved through other channels. The effectiveness of these channels has been subject to major debate over the years and has gained its current

¹Appendix 1 illustrates the official list of MDG indicators.

prominence from the disappointment with development outcomes in developing states, despite the vast amounts of funding towards development programmes (Stolk, 2006, p. 1).

There is significant literature that associates the effectiveness of aid with economic growth, poverty reduction, good governance and good policies in the recipient state. As Burnside & Dollar (2000, p. 848) point out, “(...) the estimated impact of aid for a country with average policies is zero.” Countries with good policies and significant amounts of aid, on the other hand, perform very well. Accordingly, the First High Level Forum aimed at improving the delivery of aid is the Rome Declaration 2003. The Rome Declaration outlines a set of principles for aid effectiveness. The Second High Level Forum is the Paris Declaration on Aid Effectiveness in which donors and partner countries mutually agreed to the commitments laid out in the Paris Declaration and agreed to hold each other mutually accountable for ensuring its success. The Paris Declaration (OECD, 2005, pp. 3-8) outlines five fundamental Partnership Commitments/Indicators of Progress for making aid more effective:

- i. **Ownership:** Partner countries exercise effective leadership over their development policies, and strategies and coordinate development actions;
- ii. **Alignment:** Donors base their overall support on partner countries' national development strategies, institutions and procedures;
- iii. **Harmonisation:** Donors' actions are more harmonised, transparent and collectively effective;
- iv. **Managing for Results:** Managing resources and improving decision-making results; and
- v. **Mutual Accountability:** Donors and Partners are accountable for development results.

The efforts to accelerate and deepen implementation of the Paris Declaration on Aid Effectiveness were made known in the Accra Agenda for Action 2008. The Accra Agenda for Action proposed three key areas of improvement: strengthening country ownership over development; building more effective and inclusive partnerships for development; and delivering and accounting for development results (OECD, 2008, pp. 16-19).

Partner country ownership and leadership over development policies and strategies are paramount. During the Paris Declaration one of the commitments made by the stakeholders was to address the remaining challenges faced due to “(...) weaknesses in partner countries’ institutional capacities to develop and implement results-driven national development strategies.” (OECD, 2005a, p. 1) As one of the five pillars of the Paris Declaration, “ownership” primarily refers to developing country’s governments’ abilities to exercise leadership over development policies and plans (OECD, 2011a, p. 29). According to the World Bank (2001, p. 12) ownership can be manifest by

(...) countries need to develop their own poverty reduction strategies in a manner consistent with preservation of culture. Decisions on priorities must be made at a national level, reflecting national priorities. But action must also take place with local leadership and ownership, reflecting local realities. There is no simple universal blueprint.

Ownership is articulated through the development priorities set out in national development strategies, which, according to the OECD (2011a, p. 29) involve “(...) partner countries taking lead in co-ordinating aid at all levels in conjunction with other development resources.” According to the World Bank’s World Development Report 2000/01: *Attacking Poverty* (2001, p. 12) development aid should be

(...) delivered in ways that ensure greater ownership by recipient countries, and should go increasingly to country-driven, results-oriented poverty reduction programs, developed with the effective engagement of civil society and private sector agents.

The rationale for this dissertation stems from the recognition of the need to make development aid more effective, in particular the role of partner countries’ in ensuring the effectiveness of aid in achieving poverty reduction through prioritised strategies in the form of national development strategies and poverty reductions strategy papers (PRSPs).

1.2. Research Question

The purpose of this dissertation is to assess the Government of Swaziland’s (GoS) ownership of poverty reduction plans and priorities. In doing so, my research questions are the following:

1. Does the GoS have an operational national development strategy?
2. What are the poverty reduction priorities of the GoS?
3. Does the GoS refer to national development strategy when formulating development policies and plans?

4. How inclusive is the formulation process for development strategies and policies?
5. How effectively does the GoS co-ordinated development aid?
6. Do development partners/donors provide development aid in accordance with the GoS development priorities?

The assessment will be based on partner countries' commitments for ownership as stated in the Paris declaration (OECD, 2005a, p. 3):

Partner countries commit to:

1. *Exercise leadership in developing and implementing their national development strategies through broad consultative processes;*
2. *Translate these national development strategies into prioritised results-oriented operational programmes as expressed in medium-term expenditure frameworks and annual budgets;*
3. *Take lead in co-ordinating aid at all levels in conjunction with other development resources in dialogue with donors and encouraging the participation of civil society and the private sector.*

1.3. Scope, Methodology and Research Limitations

As previously stipulated, this dissertation aims to assess the commitment made by the GoS in taking greater ownership over development priorities and strategies. Swaziland's development agenda is guided by the National Development Strategy (NDS). The NDS has been the overarching national planning framework since its adoption in 1999, and contains the overall vision for development (GoS, 1999a, p. 1). The NDS is purely a vision and cannot be implemented as it stands. Therefore, the vision is implemented through the Poverty Reduction Action Strategy Plan (PRASP). The PRASP articulates the necessary measures that will help ensure the achievement of the overall poverty reduction and development agenda set out in the NDS.

According to the Paris Declaration (OECD, 2005a, p. 3), donors need to commit to, "(b)ase their overall support-country strategies, policy dialogues and development co-operation programmes on partners' national development strategies." Accordingly, development partners in Swaziland are informed of the national priorities which have been set out in the overall vision of the NDS. Donors are encouraged to align their support in accordance with the challenges articulated in the NDS, and implement initiatives in accordance with the PRASP. Aligning Official Development Assistance (ODA) to national development objectives promotes greater ownership of development interventions by the recipient countries, thus increasing the likelihood of interventions

having a meaningful and sustainable impact (GoS, 2013, p. 14). It should be noted that the donors presence in Swaziland is relatively small in comparison to regional counterparts, since Swaziland has a combined total of eight bilateral and multilateral development partners.

I have carried my research from mid-January 2013 to mid-July 2013. The primary method of data collection was predominantly qualitative by nature. This included in-depth individual interviews with representatives of a number of institutions and organisations (listed in appendix 2). The interviews were guided by open ended questions which were based on a standardised questionnaire². Although the interviews were, for the most part, very helpful and informative, I did experience some limitations. Recognising that institutions and organisations are made up of a host of departments which are responsible for several aspects of the overall objectives of the institutions or organisations, I came to realise that employees are not always aware of all the ins and outs of the institutions or organisations as a whole. Some respondents were aware of Swaziland's national development priorities, while others were not. Furthermore, during some interviews, personal opinions were shared rather than concrete evidence. This is not to say that this was the case with all the interviews. During my time as an intern at the Ministry of Foreign Affairs and International Cooperation of the Kingdom of Swaziland – starting September 2012 to December 2012 – I was fortunate enough to observe the 15th. Political Dialogue between Swaziland and its development partners. The dialogue gave me much needed insight on the development priorities of the GoS and the commitments made by the development partners and the GoS towards realising Swaziland's development objectives.

Finally, much of my research was conducted through an extensive literature review which included books, annual budgetary reports, GoS documents, development partners' documents, newspaper articles, journals, and internet sources. Document analysis has been the major form of gathering information throughout this dissertation. I found that accessing information from the GoS very difficult because public libraries do not have many government publications, the GoS website is not updated and has a limited amount of government publications and documents uploaded, and the relevant

² Refer to appendix 2 for the list of interviews and appendix 3 for the questionnaire guide. There are two questionnaires, the donor questionnaire and the GoS questionnaire.

ministries often do not have additional hardcopies to spare. This made it particularly difficult to have a cohesive flow of information. I found that the interviewees from the Government departments were very eager to assist, and in particular, the official from the Ministry of Economic Planning and Developments (MEPD), Aid Coordination department was very helpful in uploading documents that were necessary for my dissertation. Another challenge I faced was accessing relevant, timely, and updated information, in particular from government publications and documents. I had to rely on external sources such as the World Bank, the International Monetary Fund (IMF), the Organisation for Economic Cooperation and Development (OECD) for statistical information including indicators, financial figures, and sometimes the GoS budgetary operations.

II. The Evolution of Development Cooperation

Introduction

This chapter sets out to briefly describe development cooperation and briefly touch on the several forms it has taken throughout the years. Section 2.1 provides the definition of development aid, while section 2.2 makes a distinction between bilateral and multilateral aid. Section 2.3 encompasses a brief historical overview of development cooperation. This section includes three sub-sections that follow the evolution of development assistance from 1940 to 1990. Finally, the international contemporary aid architecture, outlined in section 2.4, describes the current framework of development aid and the several initiatives taken to improve the effectiveness of aid.

2.1. Defining Development Cooperation

Development aid, also known as development cooperation, official development aid, development assistance (these terms will be used interchangeably throughout this dissertation) has had multiple face lifts over the decades and continues to undergo important changes. Amstutz (2013, p. 227) suggests that, “(f)oreign aid involves two types of assistance: humanitarian or emergency relief and development aid.” Humanitarian or emergency relief provides assistance to meet humanitarian needs such as droughts, earthquakes, and other disasters that call for immediate relief. This could be best illustrated in the aftermath of the devastation caused by Asian tsunami in December 2005, and/or the massive earthquake and floods that devastated Haiti between January and April of 2010. In both instances foreign states, led by the United States, responded immediately with large quantities of food and water, financial aid, medical care, and other forms of assistance. Development aid, or ODA, consists of loans and grants from bilateral donors, multilateral donors, and private donors to aid in the economic development of developing and less-developed countries (LDCs) (Amstutz, 2013, p. 277).

There are several forms of aid that serve a variety of purposes. Financial aid, according to Sumner and Mallett (2013), can be either concessional or non-concessional: non-concessional aid refers to grants or subsidised loans, whereas non-concessional aid refers to loans that carry market, or near market terms. ODA is the most well known form of financial aid, which can be disaggregated further into project aid and program

aid (Sumner and Mallett, 2013, p. 15). Non-financial aid includes food aid and technical assistance. The latter consists of projects, program and technical aid with the primary purpose of knowledge transfer (Sumner and Mallett, 2013, p. 16). Food aid, on the other hand, can be either sold on the market or can be freely distributed. Food aid can also be tied to loans, grants, or associated financing packages. In such cases food aid is often tied to the procurement of goods and/or services from the donor country, and/or is restricted by a number of countries. An example of such a tie is the use of donors' boats for the shipment of commodities. An estimated 90 per cent of world food aid is tied (Burchi and Turchetti, 2010, p. 148).

According to Minoiu and Reddy (2009, p. 7), "(d)evelopment aid may be defined as aid intended to promote development in the receiving state." The Development Assistance Committee (DAC)(OECD, 2008) defines ODA as follows:

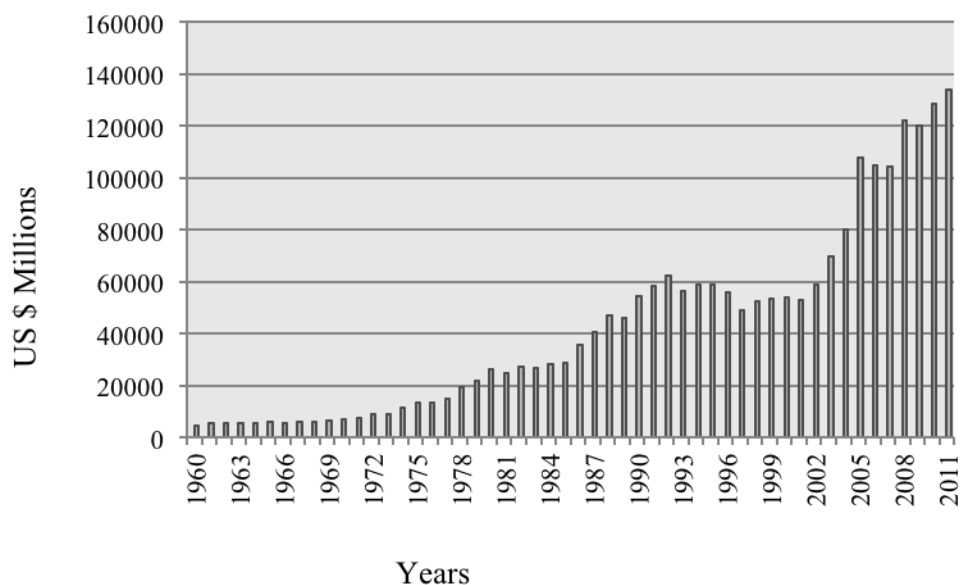
- i. *It is provided by official agencies, including state and local governments, or by their executive agencies; and*
- ii. *each transaction of which:*
 - a) *is administered with the promotion of the economic development and welfare of developing countries as its main objective; and*
 - b) *is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10per cent).*

2.2. Bilateral and Multilateral Aid

There are several actors in international development cooperation and it is important to make a clear distinction between bilateral and multilateral donors. Bilateral aid is given by the government of the donor country to the government of the receiving country, while multilateral aid is channelled by governments through international organisations such as the World Bank, the United Nations (UN), and the IMF (World Vision, 2007). Many bilateral aid donors are members of the OECD. It is through the DAC of OECD that the responsibility of setting aid reporting standards, monitoring aid flows, and urging donors to improve the quality and the quantity of aid are monitored. The DAC's primary focus is on ODA, which is defined as official concessional flows for developmental purposes to low-income countries. In contrast to multilateral aid, most bilateral aid is given as grants and may be used to fund a specific project (project aid), to provide more general budgetary support for the recipient government (program aid), or to flow through a Non Governmental Organisation (NGO) (Kilby, 2009, p. 35). Fig. 2.1 and Fig. 2.2, below, will serve as a reference not only to the financial amount of

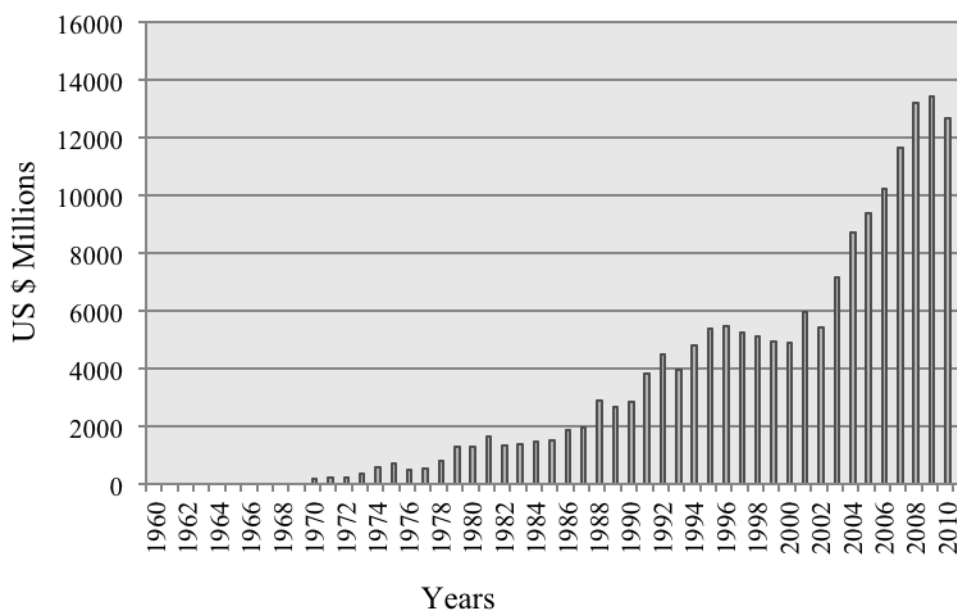
development aid dispersed from the 1960-2010 period, but will often be referred to as a visual aid for the historical overview of development aid. Fig. 2.1 will also be used to refer to bilateral aid while Fig.2.2 will be used to refer to multilateral aid.

Fig. 2.1. Total Aid Disbursed by DAC and non -DAC Countries



Source: OECD (2012, available at <<http://stats.oecd.org/qwids/>> [Accessed 13/03/2013].

Fig. 2.2 Total Aid Disbursed by Multilateral Agencies



Source: OECD (2012, available at <http://stats.oecd.org/qwids/>) [Accessed 13/03/2013].

2.3. A Historical Overview of Development Aid

This section briefly examines the historical overview of the ever-changing nature of development aid, and the complexities faced throughout the years to ensure the success of development aid. Lancaster (2007, pp. 146-148) highlights three main antecedents of aid:

- i. The use of public resources for humanitarian relief, which in modern times began in the 19th century;
- ii. The small amount of assistance provided by European powers for development in their colonies during the interwar years; and
- iii. The limited quantity of technical assistance provided by the United States to Latin American countries at the beginning of the Second World War.

It has also been argued that despite the ever-changing history of aid there has been one constant: development objectives of aid have been more than often self-serving towards donors' commercial and political advantage (Hjertholm and White, 2000, p. 80).

Accompanying the motives of self-interest is the ongoing debate about the role and effectiveness of foreign aid (Robinson and Tarp, 2000, p. 3).

2.3.1. A Successful Story (1940s, 1950s, 1960s)

The post-World War II liberal international system was marked by numerous efforts to bring about closer economic integration through increased international cooperation and assistance (as well as through the promotion of trade liberalization). This new vision gave rise to the Bretton Woods conference, the formation of multilateral institutions such as the UN, the World Bank, the IMF, the General Agreement on Trade and Tariffs (GATT), and the Marshall Plan (Goldin, 2009, p. 42). With the aim to rebuild the international economic system after the Second World War delegates from forty-four states gathered for deliberation in July 1944 at the Mount Washington Hotel in Bretton Woods, New Hampshire, United States (U.S). These institutions – UN, IMF, GATT, the International Bank for Reconstruction and Development (IBRD) – also known as the Bretton Woods institutions, were established to sustain the post-World War II liberal international economic order³ (Shimko, 2013, p. 136).

Formally known as the United Nations Monetary and Financial Conference, the Bretton Woods Conference produced three major accomplishments to help sustain the liberal international economic order: the IMF was created to finance short-term imbalances in international payments in order to stabilise exchange rates; the IBRD – known today as the World Bank – was created to make long-term capital available to states urgently in need of foreign aid (both institutions were established in 1944) (Linebarger, 2008, p. 16). The final element of the post-war liberal order was the establishment of the GATT in 1947, with the aim of promoting free trade between the contracting nations (Shimko, 2013, p. 136).

The GATT became the most important instrument for international trade, as its primary goal was to liberalise trade, reduce trade barriers and create an environment in which countries can prosper⁴ (Boyes and Melvin, 2008, p. 624). Free trade is of particular

³The liberal international economic order is the post-World War II international economic order that embodies traditional liberal preferences for free trade as a means of promoting economic efficiency and prosperity (Skimko, 2013, p. 136).

⁴In 1995 the GATT became the World Trade Organisation (WTO). In the pursuit of healthy trade relations, members of the WTO have agreed to settle trade disputes in the WTO courts rather than raise barriers, impose tariffs, or otherwise restrict trade (Boyes and Melvin, 2008, p. 624).

importance, and has been defended by theorists such as David Ricardo and Adam Smith based on two economic concepts: the division of labour, and theory of comparative advantage (Shimko, 2013, pp. 138-139). The benefits of opening markets to free trade can be considerable to developing countries. According to Boyes and Melvin (2008, p. 442) the restrictions on trade in developed countries can harm developing countries as they are often aimed at the commodities that developing countries can produce most efficiently, i.e. "(t)he European Union restricts imports of agricultural products in order to increase the incomes of European farmers". By lifting these obstacles, income in developing countries could increase substantially.

A brainchild of the then U.S Secretary of State George Marshall, the European Recovery Program, or the Marshall Plan, was launched in 1947. It successfully, and exclusively, provided foreign aid towards the reconstruction and recovery of a war-torn Europe. Such a reconstruction was financed to those economies with valuable human capital (Rothermund, 2006, pp. 266-267). This plan included a short-term goal of recovery, a medium-term goal of modernization, and a long-term goal of liberalization. Perhaps it is the best example of successful multinational cooperation to achieve a common goal (Agnew and Entrikin, 2004, p. 20).

The Marshall Plan was instrumental in establishing the Organisation for European Economic Co-operation (OEEC), as it was the recipient of Marshall Plan aid that signed the Convention establishing the OEEC on 16th. April, 1948 (Führer, 1996, p. 5). Since the aid provided by the Marshall Plan was directed to developed states (European countries devastated by the World War II), it does not fall within the scope of development aid that will be covered in this dissertation, as the primary aim is to assess development aid from developed to developing countries. The success of the Marshall Plan may be accredited to its responsibility towards the reconstruction of European economies that already possessed valuable human capital, as opposed to the developing countries of the periphery. This aid provided an additional impetus for already industrialised countries of the West to merely reconstruct their economies after the war, thus differentiating from the development aid provided by the Marshall Plan and the development aid provided to developing and/or less-developed countries (LDCs) today (Rothermund, 2006, p. 267).

During his inaugural address in January 1949, U.S. President Harry Truman raised the idea of technical assistance, thus launching the idea of the expanded technical assistance program (Jolly et al., 2004, p. 68). This resulted in the creation of the United Nations Expanded Programme of Technical Assistance (EPTA) in 1950 (Bhourasker, 2007, p. 195). The EPTA was designed to facilitate the transfer of expertise to developing states through the UN (Jolly et al., 2004, p. 68). With increased pressure from the U.S., governments of the wealthier countries of Europe and Japan established aid agencies and increased their levels of development aid in the mid 1950s. This is not to mean that these countries did not have established aid agencies, they were just different from those of the U.S. The 1950s and 1960s witnessed the independence of many colonies. Both France and Britain provided aid to their former colonies, in part to meet real economic needs of their former colonies, to ensure that independence went smoothly and also to ensure that Britain and France maintained some sort of influence over these newly independent countries (Lancaster, 2007, p. 150).

Uneasy diplomatic relations between the West and the Soviet Union also marked the 1950s. Cold War politics increasingly became the dominant factor in foreign aid and policies. Foreign aid was used as a means to support and strengthen relations between states that shared an ideological bond, and where geopolitical interests were involved economic and military support would often follow. During this period foreign aid was characterised by its “tied” nature, as it primarily consisted of purchasing specific goods and services from the donor country (Goldin, 2009, p. 43). When aid is said to be “tied” this means that a portion of the money goes back to the country of origin (Sheppard et al., 2009, p. 566). Tied aid can take many forms. Sheppard et al. (2009, p. 566) give the following examples: “(...) the construction of a dam in Kenya may require the purchasing of Land Rovers to use in the project; Japanese aid for developing an iron mine in Indonesia may require the use of Japanese building materials and geologists.”

Another key characteristic of this period was the increasing prevalence of food aid. This, in part, was a reflection of increasingly higher agricultural subsidies in Western Europe, the United States, and Japan. These rich countries were able to protect their markets from competitive imports and subsidise their farmers. The outcome of these countries' agricultural policies was the production of huge surpluses that were supplied into the world market, often as food aid (Goldin, 2009, pp. 43-44). Food aid is a

tangible form of aid, which is purchased by the donor government from its farmers and food corporations. Since the purchase of food for aid is made in the donor country, food aid can be classified as a special form of tied aid. Food aid can reduce the recipient country's hunger in the short-term, but has long-term consequences as it undermines domestic agriculture in the recipient country since farmers are unable to compete with free imported food, therefore reducing their production of domestic food crops (Sheppard et al., 2009, p. 566).

According to Fig. 2.1, the 1960s witnessed a rise in bilateral aid. This rise may be attributed to increased bilateral aid programmes by many European countries – friends and allies of the United States – and to the establishment of official aid agencies to manage them (Lancaster, 2007, p.31). Such bilateral initiatives were designed to provide aid flows and technical assistance to developing countries. In 1960 Canada created an External Aid Office, in 1961 the United States created the United States Agency for International Development (USAID), France established a Ministry for Cooperation, Japan created the Overseas Economic Cooperation Fund, and the government of Germany set up a development bank, the Reconstruction Credit Institute (Goldin, 2009, p. 43). Socialist countries also became significant aid donors, and like much of the Western aid the socialist bloc aid was driven by diplomatic concerns. The major contributors of the socialist bloc aid were the Union of Soviet Socialist Republic (USSR) and the People's Republic of China. Three-quarters of Soviet aid went to communist developing countries to stabilize and subsidize their economies. Friendly non-communist states (India, Egypt and Syria) received socialist aid predominantly towards aid projects involving infrastructure, mining and education (Lancaster, 2007, pp. 31-32). The year 1960 was equally important for the OEEC, as it signed the Convention reconstituting it as the OECD.

Fig. 2.1 (in contrast to Fig. 2.2) shows bilateral aid flows to be considerably more than those of a multilateral nature. By the mid-1960s bilateral aid accounted for 95 per cent of total ODA as compared to just 5 percent for multilateral aid. Almost all multilateral technical assistance in the 1960s was channelled through the UN and its specialised agencies. The largest distributor of technical assistance was the EPTA (Kapoor, 2008 p.92). The increase in foreign aid did not seem to translate into the hopes of increased economic growth in the recipient states. The success of the Marshall Plan could not be

replicated, which meant that developing states would not be able to repay aid with higher exports. New policy priorities began to emerge (Linbarger, 2008, p. 19).

2.3.2. Development Aid: A New Emphasis (1970s, 1980s)

The beginning of the 1970s marked a new era for development aid. The initial focus on economic growth and modernization was replaced by a greater emphasis on poverty and basic human needs. This change was due to an initiative of the World Bank and the International Labour Office (Linebarger, 2008, p. 20). DAC members adopted in 1977 a “Statement on development Co-operation for Economic Growth and Meeting Basic Human Needs” related with basic human needs. According to Führer (1996, p. 30), “(...) in this statement DAC Members emphasise that concern with meeting basic human needs is not a substitute for, but an essential component of, more economic growth.”

Two trends emerged in the 1970s: with the first oil shock and falling commodity prices, quick disbursing assistance was introduced and made available by the IMF; and the emergence of import support aid. According to Fig. 2.1 there was a slight decrease in bilateral aid, which can be linked to the oil crisis of the 1970s. This decrease in foreign aid was short-lived as ODA began to rise again in the latter half of the 1970s. This in part was attributed to the increase in aid from oil exporting countries (Linebarger, 2008, p. 21). The multilateralism of aid became more pronounced in the 1970s, which can be seen in line with the increase of aid in Fig. 2.2, while donors – notably the World Bank – gravitated towards a greater focus on poverty reduction (Tarp and Hjertholm, 2000, pp. 82-83).

The DAC of the OECD also made major efforts towards untying multilateral aid, as the DAC was becoming increasingly concerned with the problems arising from procurement tying of aid (Führer, 1996, p. 22). The rise of oil prices triggered an important change: members of the Organisation of Petroleum Exporting Countries (OPEC) become major donors of development aid (Carbone, 2007, p. 69). OPEC and multilateral aid agencies became significant sources of foreign assistance – primarily through grant form – to developing countries of the Middle East and Africa. Foreign aid, in particular bilateral aid, became less associated with the Cold War and more so relations between developed and developing countries (Lancaster, 2007, pp. 33-34).

The 1980s witnessed a renewed emphasis on the evaluation of aid effectiveness, and by 1981 the DAC established a Group of Correspondents on Aid Evaluation. The DAC was also concerned with the role of women in development, and in 1981 established a Correspondents Group on Women in Development (Führer, 1996, pp. 34-35). During the 1980s it became increasingly evident that foreign aid was not producing the developmental outcomes that it was expected to, and as a result policy-makers began to focus on development aid as a tool to fulfil basic human needs and to alleviate poverty. Therefore structural adjustment conditionality⁵ became usual throughout the 1980s (Linebarger, 2008, pp. 21-40).

The World Bank was at the forefront of the conditionality principle linked to structural adjustment programs (Tarp and Hjertholm, 2000, p. 83), leading up to the PRSPs from 1999 (Browne, 2006, p. 45). According to the World Bank, the PRSPs are broad development planning documents that describe countries' "(...) macroeconomic, structural and social policies and programs to promote growth and reduce poverty." (Lancaster, 2007, p. 53) As suggested by Sumner and Mallett (2013, p. 16), PRSPs "(...) aim to build better donor-recipient partnerships and integrate civil society more effectively into the policy process." By the second half of the 1980s the deteriorating conditions of many poor countries led DAC states to conclude that structural adjustment conditionality had failed. This decade also began to witness the increasing role of NGOs in the distribution of aid (Linebarger, 2008, p. 41).

2.3.3. A Decade of Important Changes (1990s)

The 1990s was a decade of important changes. The world witnessed the end of the Cold War as well as some significant changes in the foreign aid arena. Lancaster 2007 (pp. 44-48) highlights four major events that changed the landscape of foreign aid: the end of the Cold War; democratisation; globalisation; and economic problems in countries that usually were donors of development aid. According to Fig. 2.1 and Fig. 2.2 the early 1990s saw an increase in both bilateral and multilateral aid. The decline in tensions brought about by the competing ideologies of the Cold War gave way to the idealistic sentiment of democratic principles, ushering in the short-lived era of 'aid for

⁵ According to Browne (2004, p. 19), structural adjustment conditionality in development aid policies of the 1980s can be described as, "(...) the demand for developing countries to implement processes of macroeconomic reform as a condition for the provision of aid".

democracy' (Linebarger, 2008, p. 23). This has often been referred to as the "third wave" of democracy and proved to be a useful tool for promoting democracy, particularly in sub-Saharan Africa (Lancaster, 2007, p. 47).

Globalisation played an increasingly prominent role during the 1990s. Globalization increased the impact of human activity on a global scale. The ideas of a global community and of global citizens became ever more present through the forces that eroded national boundaries, and became manifest in economic, social, cultural, political, technological, or even biological dimensions, as in the case of disease (Goldin and Reinert, 2007, p. 2). Globalisation facilitated the spread of problems across borders by creating an awareness of the difficulties faced in distant places, including civil conflict, poverty, environmental challenges, and problems of disease, especially HIV/AIDS (Lancaster, 2007, p. 46). As a result, development assistance fell rapidly and humanitarian aid expanded. In the 1990s, a different approach of international cooperation emerged, arguing that too much aid created a dependency situation that retarded development (Linebarger, 2008, p. 23).

The second half of the 1990s began to witness a decrease in the amounts of development aid (see Fig.2.1 and Fig. 2.2). These temporary shortfalls could be accredited to the economic problems within donor countries (Lancaster, 2007, p. 47). It was accompanied by the rethinking of development goals in the late 1990s, which gravitated towards the elimination of poverty by improving education, health and other human capacities (Goldin, 2009, p. 44). This decade also introduced "second generation" conditionality and by the end of the decade the groundwork had been laid for a renewed focus upon poverty and a dramatic expansion of ODA (Linebarger, 2008, pp. 23-24). With development aid's inability to promote development, particularly in Africa, numerous writings on aid effectiveness began to surface (often criticisms of aid ineffectiveness). This led to a series of reforms implemented by aid agencies to better achieve their development missions.

In 1996, the IMF and the World Bank launched the Heavily Indebted Poor Countries (HIPC) Initiative⁶. The aim of the HIPC initiative is "(...) to ensure that no poor country

⁶According to the IMF (2013, pp. 1-2), the following conditions need to be fulfilled in order to be considered for HIPC Initiative assistance:

faces a debt burden it cannot manage.” (IMF, 2013, p. 1) The HIPC Initiative was endorsed by the Group Seven (G-7) countries in Cologne in July 1999. It was then approved by the IMF and World Bank as an integral part of the new poverty reduction strategy initiative (World Bank, 2001, p. 201). Other initiatives included results-based management, selectivity, PRSPs, and sector-wide approaches (SWAp) to aid-giving countries (Lancaster, 2007, pp. 50-51).

TABLE 2.1. *Schematic Overview Of The Main Developments In The History Of Foreign Aid*

| Dominant or Rising institutions | Donor ideology | Donor focus | Types of aid | |
|--|--|--|---|---|
| 1940's | The Marshall Plan and the UN System (including World Bank, IMF and GATT) | Planning | Reconstruction | Marshall Plan was largely programme aid |
| 1950s | Unites States with the Soviet Union gaining importance from 1956 onwards | Anti-communist, but with a role for the state. | Community Development Movement. | Food aid and projects. |
| 1960s | Establishment of bilateral programmes | As for the 1950s with support for state in productive sectors | Productive sectors (e.g. support to the green revolution) and infrastructure. | Bilaterals gave technical assistance (TA) and budget support: multilaterals supported projects. |
| 1970s | Expansion of multilaterals (especially World Bank, IMF and Arab-funded agencies) | Ongoing support for state activities in productive activities and meeting basic needs. | Poverty taken as agriculture and basic needs (social sectors). | Fall in food aid and start of import support. |
| 1980s | Rise of NGOs from mid-1980s onwards | Market-based adjustment (rolling back the state). | Macroeconomic reform. | Financial programme aid and debt relief. |
| 1990s | Eastern Europe and Former Soviet Union became recipients rather than donors: | Move back to the state towards end of the decade. | Poverty and then governance (environment and gender passed more quickly). | Move towards sector approach at end of decade. |

- i. “Be eligible to borrow from the World Bank’s International Development Agency, and from the IMF’s Poverty Reduction and Growth Trust;
- ii. Face an unsustainable debt burden that cannot be addressed through traditional debt relief mechanisms;
- iii. Have an established track record of reform and sound policies through IMF and World Bank support programs; and
- iv. Have developed a PRSP through broad-based participatory process in the country.”

emergence of
corresponding
institutions.

Source: Adapted from Hjertholm and White (2000, p. 81).

2.4. The Contemporary Architecture of International Aid

The history of development cooperation is a living evidence of the ever-changing nature of development aid thinking and the methods through which aid has been delivered. This delivery is provided through a variety of modalities such as project, sector and budget support (OECD, 2006b, p. 19). According to Maxwell (2003, pp. 5-6) the contemporary international aid architecture consists of the following five elements:

- i. *The MDGs, with poverty reduction at their heart;*
- ii. *International consensus on how to reduce poverty, best summarised in the World Bank's World Development Report 2000/1: Attacking Poverty;*
- iii. *A mechanism for operationalising the strategy at a country level, in PRSPs;*
- iv. *Technologies for delivering aid support of PRSPs, notably medium-term expenditure framework, SWAps and poverty reduction support credits, all associated with budget support rather than project funding; and*
- v. *Underpinning the other four, a commitment to results-based management.*

The series of commitments made at the United Nations Millennium Summit, which endorsed the United Nations Millennium Declaration, served as a commitment to a new global partnership to reduce extreme poverty. The MDGs reflect the contemporary aid architecture and the dramatic paradigm shift in development thinking. This paradigm shift is not only evident in an increased amount of aid, it is also concerned with aid's improved effectiveness (Cassimon and van Campenhout, 2007, p. 742). The MDGs have since become a framework to guide policies and programmes in the international community. According to Schabbel (2007, p. 110), "(...) the MDGs differ from previous initiatives because they have been negotiated at the level of head of states and gathered worldwide support."

This support was further entrenched by the Paris Declaration on Aid Effectiveness in the following statement (OECD, 2005c, p. 1):

(w)e, Ministers of developed and developing countries responsible for promoting development and Heads of multilateral and bilateral development institutions, meeting in Paris on 2 March 2005, resolve to take far reaching and monitorable actions to reform the ways we deliver and manage aid as we look ahead to the UN five-year review of the Millennium Declaration and the Millennium Development Goals.

The second element pointed out by Maxwell (2003) is the World Bank's *World Development Report 2000/1: Attacking Poverty*. This report outlines actions that will

serve as “drivers” of development: *Promoting Opportunity* by expanding economic opportunity for poor people; *Facilitating Empowerment*, by making state institutions more accountable and responsive to poor people; and *Enhancing Security* by reducing poor people's vulnerability (World Bank, 2001, p. vi).

The third element is PRSPs. The World Bank adopted them in 1999 to improve the effectiveness of development aid. PRSPs are broad development planning documents. These documents were, and still are, increasingly used by aid agencies worldwide as guidelines to development financing in poor countries (Lancaster, 2007, p. 54). According to the World Bank's definition of PRSPs (World Bank, 2001, p. 8), “(...) PRSP sets out a country's macroeconomic, structural, and social policies and programs to promote growth and reduce poverty, as well as associated external financing needs.”

Maxwell's fourth element refers to the technologies for delivering aid support of PRSPs, SWAp⁷. According to the (OECD, 2006a, p. 37) the SWAp and sector development programmes are linked to a broader concept of programme-based approaches, which are defined as follows:

(a) way of engaging in development co-operation based on the principle of co-ordinated support for a locally owned programme of development, such as national poverty reduction strategy, a sector programme, a thematic programme or a programme of a specific organisation.

Governments are therefore encouraged to produce medium-term expenditure frameworks, whereas donors are encouraged to work together in support of SWAps (Maxwell, 2003, p. 10). Maxwell's final element is the commitment to results-based management or performance management. As part of their efforts to improve the effectiveness of aid, the donor community has increasingly focused on the measurement of development results, the impact of their activities, and establishing the extent to which these results can be attributed to specific development activities (OECD 2005b, p. 114).

Conclusion

This chapter has shed some light on some of the developments that have occurred throughout the history of development cooperation since 1940 to 2010. The journey of development cooperation began with an emphasis on economic growth during the 1940s

⁷ The OECD states that a SWAp focuses government and donor support on a comprehensive sector development programme (OECD, 2006a, p. 36).

to 1960s, and gradually gravitated towards poverty reduction during the 1980s to 2010. What has been made increasingly clear is that the nature of development cooperation has expanded and encompasses not only the economic aspects of development but also social aspects (such a human development),as well as the political dimension, with greater emphasis on governance.

Throughout its history development cooperation has faced new challenges on a decade basis, and what has become clear is that developmental success for one state/region will not necessarily translate to the developmental success of all. This was evident in the booming years of the 1940s, 1950s and 1960s and the unsuccessful levels of development throughout the 1970s, 1980s, and 1990s. This resulted in greater concerns about the effectiveness of development aid as well as a greater emphasis on poverty reduction as a primary goal to achieve sustained development. The 1990s became a symbolic decade of reform as many donors and aid agencies set out to better achieve their development goals. The reforms of the late 1990s gave way to the international contemporary aid architecture of the 21st century, with poverty reduction at its core bound by achieving the MDGs that serve as a guideline to achieve poverty reduction, and are the backbone of the international contemporary aid architecture. In order to ensure the success of the MDGs a commitment by both donors and the recipients of aid to PRSPs, SWAp, and results-based management is of the utmost importance.

III. Theoretical Framework

Introduction

This chapter aims at creating a better understanding of the importance of the aid effectiveness agenda. Section 3.1 provides the theoretical framework. In this section relevant theories of international relations are explored in their relation with development aid. Section 3.2 explores the trajectory towards facilitating and strengthening the aid effectiveness agenda in the 21st century through several High Level Forums including the Paris Declaration. Section 3.3 attempts to briefly describe the five core principles of the Paris Declaration as it leads to Section 3.4. Finally, Section 3.4, “The Paris Declaration: Against its Struggles”, assesses the strengths and weaknesses of the Paris Declaration.

3.1. Theoretical Framework

Theories of International Relations assist us in understanding the interactions among states within the international community, including power politics and the motives for states' actions in the international arena. Theories of International Relations also provide the basis for understanding the motives and the interests behind development cooperation, particularly in the modern context of an increasingly interdependent world. There are a variety of theories to consider and it is important to note that no single theory is absolute, as each theory represents a unique perspective on the interactions among states and the several actors within the international community⁸. Traditional theories of International Relations may also be applied to foreign assistance – which includes, but is not limited to, development aid. According to Van Belle (2000, p. 108), foreign aid distributions can be explained in the context of, “(...)realism and a strategic motive, globalism and an economic motive, or pluralism and a humanitarian motive”.

3.1.1. Realism

Realism is considered one of the oldest theories of International Relations. The realist approach gained its prominence during the first half of the 20th century due to the First World War and the Second World War. During this period, it became increasingly easy

⁸Note that the theories of development aid include, but are not limited to, the theories and theorists discussed in this chapter.

to find evidence of the basic realist views and assumptions as states pursued destructive foreign policy objectives that supported conflict, rather than cooperation (Jackson and Sørensen, 2007, p. 37). Realism's domination during the interwar period placed great emphasis on the central role of power politics and the pursuit of national interests (Heywood, 2002, p. 128). According to Jackson and Sørensen (2007, p. 60) the basic realist ideas and assumptions are:

- i. A pessimistic view of human nature;
- ii. A conviction that international relations are necessarily conflictive and that international conflicts are ultimately resolved by war;
- iii. A high regard for the values of national security; and
- iv. A basic scepticism that there can be progress in international politics that is comparable to that in domestic political life.

Jackson and Sørensen (2007, p. 60) argue that "(i)n realist thought humans are characterized as being preoccupied with their own well-being in their competitive relations with one another." From a realist perspective development aid is, according to Liska (1960, p. 15) (*cit. In Van Belle, 2000, p. 108*) "(...) inseparable from the problem of power." In this regard, aid programs facilitate the interests of the donor rather than of the recipient state. This is not to say that humanitarian motives for development assistance are dismissed, it just places donors' political influence, military security, and trade objectives as the primary concern (Van Belle, 2000, p. 108).

3.1.2. Liberalism

In contrast to the pessimistic realist assumption of international relations, liberalism has a somewhat positive view of human nature, with a core assumption in the belief in progress (Jackson and Sørensen, 2007, pp. 98-99). Liberal thinking is closely connected with the emergence of the modern constitutional state. However, it is neo-liberalism, a variant of liberal international relations theory, which is most applicable when describing cooperation among states (Sheppard et al., 2009, p. 95). The central concern of neo-liberalism is based on an idea of how to best achieve cooperation among states and other actors in the international system (Sterling-Folker, 2007, p. 117). The neoliberal perspective is closely linked to that of pluralism (Sterling-Folker, 2007, p. 118). Pluralists argued that a variety of non-state actors and processes were breaking

down barriers between domestic and international affairs (Sterling-Folker, 2007, p. 117). It is from a pluralist perspective that Van Belle (2000, p. 111) argues that, “(d)ecisions on aid should instead be guided by transnational humanitarian concerns.” In its practical application, neoliberalism’s initial focus was, according to Sheppard et al. (2009, p. 96) on “(...) changing domestic and local markets in order to “liberalise” markets.” This thinking, however, increasingly became associated with globalisation (Sheppard et al., 2009, p. 96).

3.1.3. Globalisation

There is no one commonly accepted definition of globalisation, and if anything, globalisation is a debate about what is understood by the term, and not entirely on how it is defined (Hay, 2007, p. 280). In international relations’ theory, the globalisation debate has pitted realist/neorealist “sceptics” against neoliberal/cosmopolitan “globalists” (Hay, 2009, p. 282). The potential indicators of globalisation are, according to Hay (2007, p. 285), the following:

- i. A cross-border flows of goods, investment and information;
- ii. Transnational processes of political deliberation and decision-making;
- iii. Close interdependence between states;
- iv. The development of a world system whose dynamic and development trajectory is not the simple outcome of the units (states) which comprise it;
- v. The proliferation of problems to which global solutions are required;
- vi. The development of institutions charged with the responsibility for fashioning genuinely global public policy.

From the neoliberal perspective, according to Sheppard et al. (2009, p. 96), “(g)lobalisation has replaced development as the framework within which to think about the trajectory of change in the third world.” From this perspective, Van Belle (2000, p. 108) argues that foreign assistance is driven by an economic motive and is based on the assumption of “(...) economic wealth and the function of trans-national capital flows”, and that “aid is not given to enhance the recipient country, or to obtain strategic goals, but instead to facilitate economic exploitation by the donor.” However, those in favour of globalisation suggest, from a neoliberal approach, that rather than exploitation, free

trade and international investments can increase the standards of living in all countries, in particular developing countries (Boyes and Melvin, 2007, p. 441).

3.1.4. The Motives behind Development Assistance

There are several motives for providing development assistance. Thirlwall (1989, pp. 319-321) groups these motives into three headings:

- i. The moral, humanitarian motive to assist poor countries, and particularly poor people in poor countries;
- ii. Political, military and historical motives for granting assistance; and
- iii. Economic motives for developed countries investing in developing countries, not only to raise the growth rate of the developing countries, but also in their own self-interest to raise their own welfare, in which case international assistance can be mutually profitable.

Development assistance can be characterised by motives of self-interest from both the donors' and the recipient states. This mutual, and yet asymmetrical relationship of dependence involves, according to Picard and Groelsema (2008, p. 12), "(f)rom the recipients' perspective (...) opportunity costs to foregoing foreign aid." According to Picard and Groelsema (2008, p. 12), "(l)eaders in recipient states often 'have had private interests and ambitions of their own'". This mutually beneficial, yet asymmetrical relationship between donors' and recipients' states is more than often a vehicle of the formers' foreign policy objectives (Picard and Groelsema, 2008, p. 12).

The moral, humanitarian motive: the basis for this argument is the idea that an individual who is financially well off has the obligation to help the poor and/or impoverished. This same moral obligation provides the basis for the relations between rich/developed countries, and poor/LDCs and developing countries (Degnbøl-Martinussen and Engberg-Pedersen, 2005, p. 10). However, in the international foreign aid debate the line between moral and humanitarian argument is somewhat blurred by a motive that is frequently combined with some form of self-interest (Degnbøl-Martinussen and Engberg-Pedersen, 2005, p. 10).

Political, military, and historical motives: according to Alesina and Dollar (2000, p. 33), "(t)he pattern of aid giving is dictated by political and strategic considerations."

With regard to “political and strategic considerations,” Alesina and Dollar stress considerations that are historically rooted in former colonies. Countries such as the United Kingdom and France have had the tendency to concentrate their assistance to ex-colonial territories (Thirlwall, 1989, p. 319). More than often the recipients of this aid do not display the necessary conditions for receiving such aid (good policy, good governance, democratic institutions, strong rule of law, and others). They also fail to effectively manage the use of such aid, and yet, according to Alesina and Dollar (2000, p. 33) they receive more foreign aid than other countries with “(...)a similar level of poverty, a superior policy stance, but without a past as a colony.” This is a reflection of the strong historical ties, and perhaps a moral obligation for former colonial neglect and exploitation. The political and military alliance is greatly linked to military aid. According to Degnbøl-Martinussen and Engberg-Pedersen (2005, p. 12), “(i)ndustrial countries in particular have administered and distributed a large part of their development assistance in accordance with political and national security priorities.”

Economic motives: developed countries invest in developing countries in order to raise their growth rate. But it can also be said that such investments are motivated by developed countries' self-interest to raise their own welfare in what is labelled as a mutual, yet asymmetrical profitability (Thirlwall, 1989, p. 320). According to Thirlwall, (1989, p. 320) this can be mutually profitable if two conditions are met:

- i. The interest rate on loans is higher than the productivity of capital in developed countries and lower than the productivity of capital in developing countries;
- ii. If there are underutilised resources in developed countries, which could not otherwise be activated because of balance-of-payments constraints. International assistance will be mutually profitable through an increase of resources towards developing countries and a fuller utilisation of resources in developed countries.

A counter-argument to Thirlwall's Keynesian approach stems from the globalists' critique. Aid is given to the detriment of the recipient country as it is used to facilitate an exploitative economic relationship between the donor and the recipient state, as donors are able to exercise influence over development strategies of the recipient country (Van Belle, 2000, p. 108).

3.1.5. Theories of Aid and Development

According to Riddell (1987, p. 85) theories of aid and development fulfil two distinctive functions:

(t)he main function of a pro-aid theory is clearly to put forward an explanation of how aid contributes to development, but it also carries with it an implicit rejection of any theory of development that does not give a role to aid in accelerating development: why aid helps development is thus assumed in the theoretical explanation of how it does so. The arguments of alternative theories concluding either that aid is not necessary or that other means of achieving development could be better or simply not addressed. Two key assumptions are made: that aid constitutes additional resources, and that these are important for accelerating development. Given these assumptions, it is immediately apparent that foreign aid theory has to place strong emphasis on the need of intervention in promoting development and on the belief that more resources lead to greater development.

The study of economic development can help to better understand the nature and causes of poverty in low-income countries, and the transformation of societies from being primarily rural to being primarily industrial (Thirlwall, 1989, p. 9). Conventional aid theory has its roots in Keynesian economics, particularly theories of economic growth that are modelled after the industrialised economies of the West (Riddell, 1987, p. 86).

The post World-War II liberal international economic order holds, at its core, the significance of modernisation theories. Modernisation is based on the premise that nations can move from “traditional societies” at one extreme, to “modern” societies, at the other. In order for this transition to occur, “traditional” societies need to adopt the characteristics of “modern” societies. Perhaps the most influential theorist of modernisation is Walt Rostow (1960) (Sheppard et al., 2009, p. 70). Rostow envisioned five stages through which a “traditional” society would pass through in order to reach maturity: traditional; transitional/ preconditions for take-off; take-off; maturity; and high mass consumption (Thirlwall, 1989, p. 60)⁹. Rostow’s first stage (“traditional” society) is characterised by limited production and productivity, a heavily agricultural society, with a hierarchical social and political structure (Sheppard et al., 2009, p. 71). It is in Rostow’s preconditions for take-off¹⁰ that he states that “(p)reconditions generally come from ‘external intrusions’” (Sheppard et al., 2009, p. 71).

Rostow and other modernisation theorists have two main weaknesses. First, no attempt has been made to explain why external changes occur to which the social system then

⁹ Appendix 4 offers a table listing and describing the characteristics of Rostow’s stages of economic growth.

¹⁰ Refer to appendix 4 for further information on the “preconditions for take-off” stage.

respond, and second, the phenomena that is supposed to ensure societal reproduction is established through the observation of “modern” societies rather than deduced from the analysis of other possibilities (Sheppard et al., 2009, p. 73). Despite its weaknesses, Rostow’s theory goes beyond the traditional notion on how aid assists development. He argued that, with time, aid will no longer be necessary. Aid is only needed for the period before take-off. After this period, “the supplying countries can look forward to a time when extraordinary measures to obtain capital from outside can be discontinued.” (Riddell, 1987, p. 88)

Besides Rostow, Rodenstein-Rodan, Chenery and Strout, Harrod-Domar, and others also contributed to the theories of development aid. Rodenstein-Rodan placed great emphasis on the conditions necessary for recipient states to experience an effective pace of economic development. They also emphasised the purpose of aid to underdeveloped countries as to accelerate economic development to the point when growth will be achieved on a self-sustaining basis (Riddell, 1987, p. 91). The transition to self-sustaining economic growth, according to Rodenstein-Rodan (1961, p. 107), requires that “capital aid should be offered wherever there is reasonable assurance that it will be effectively used.” The contributions of aid, according to Chenery and Strout (1966, p. 680), are to relieve specific bottlenecks inhibiting domestic growth and development, “and in fulfilling this role it increases the efficiency of the domestic resource base.”

3.2. Aid effectiveness

By the 1960s, concerns surrounding the effectiveness of aid triggered the creation of the DAC (Führer, 1996, pp. 8-9). As development partners tried to establish ways in which they could assess development efforts and results, in 1962 the DAC launched its Annual Aid Reviews of the Development Assistance Efforts and Policies (Aid Reviews). By 1966, efforts to improve aid coordination were conveyed in the DACs Guidelines for Coordination of Technical Assistance (Führer, 1996, pp. 15-18). However, it was the 1980’s that brought about a new emphasis on the evaluation of aid effectiveness and by 1986 the DAC adopted principles for aid coordination (Führer, 1996, p. 45).

The past decade has witnessed an increase in the momentum surrounding aid effectiveness, and has seen the development of an international framework in which donors and partner states have agreed to make the necessary efforts towards the

effectiveness of aid. In turn, the efforts made to increase the effectiveness of aid have also peaked donors' interest in development effectiveness. As different as the terms aid effectiveness and development effectiveness may be, many analysts and aid agencies fail to make a distinction between the two, and in some cases the terms are used interchangeably (Kindornay and Morton, 2009, pp. 1-2). When defining development effectiveness one can make two distinctions. According to Stern et al. (2008, pp. 20-21) development assistance may be defined as:

- i. the achievement of sustainable development results related to the MDGs that have country-level impacts and discernable effects on the lives of the poor; and/or
- ii. the capability of states and other development actors to transform societies in order to achieve positive and sustainable development outcomes for its citizens.

According to Stern et al. (2008, p. 20) aid effectiveness may be defined as the “(...) arrangement for the planning, management and deployment of aid that is efficient, reduces transaction costs and is targeted towards development outcomes including poverty reduction.”

3.2.1. Towards Aid effectiveness

The historical journey that led to a greater emphasis on aid effectiveness has brought together several efforts made by the donor community and partner states. On the 21st. and the 22nd. March 2002, in Monterrey, Mexico, donor states committed themselves to building a greater international consensus on how to best tackle the objective of more effective aid. Thus, they made the commitment to significantly increase the percentage of ODA as a proportion of donor gross national income (GNI) from 0,22% in 2001 to an increased 0,29% by 2006 (Manning, 2004, p. 21). The Monterrey Consensus committed donors and partners to “(...) mobilising and increasing the effective use of financial resources”, in order to achieve the development goals contained in the Millennium Declaration (UN, 2003, p. 5). Point 40 of the Monterrey Consensus emphasised a new partnership between developed and developing countries in order for the internationally agreed upon development goals – the MDGs – to be achieved. The Consensus (UN, 2003, p. 14) states that this “new partnership” will be based on a framework in which donor and partner countries strive for an effective partnership based on

(t)he recognition of national leadership and ownership of development plans and, within that framework, sound policies and good governance at all levels to ensure ODA effectiveness (...). The goals, targets and commitments of the Millennium Declaration and other internationally agreed development targets can help countries to set short-and medium-term national priorities as a foundation for building partnerships for external support.

Building on the momentum of the Monterrey Consensus, a series of High Level Forums on the effectiveness of aid have shaped the first decade of the 21st century: the 2003 Rome Declaration on Harmonisation, the 2005 Paris Declaration on Aid Effectiveness, the 2008 Accra Agenda for Action, and the 2011 Busan Partnership for Effective Development Cooperation.

3.2.2. From Rome to Paris, Accra and Busan

Improvements in the effectiveness of aid do not just fall on the partner states and are not solely the reflection of increased amounts of aid from donor states. Emphasis has also been placed on how much aid should be delivered and the way in which aid is being delivered. The first High–Level Forum on aid effectiveness, The Rome Declaration on Harmonization, was held in Rome, on the 25th. February, 2003. Continuing the agenda of the Monterrey Consensus, the need to increase the effective use of financial resources was a major area of concern during the Rome Declaration (World Bank, 2003, p. 1), by stating that:

(w)e the donor community have been concerned with the growing evidence that, over time, the totality and wide variety of donor requirements and processes for preparing, delivering, and monitoring development assistance are generating unproductive transaction costs for, and drawing down the limited capacity of, partner countries. We are also aware of partner country concerns that donors' practices do not always fit well with national development priorities and systems, including their budget, program, and project planning cycles and public expenditure and financial management systems. We recognise that these issues require urgent, coordinated, and sustained action to improve our effectiveness on the ground.

Improving donors' performance is just as important as ensuring strong partner ownership of development policies and strategies. Endorsed by the Rome Declaration, the DAC Task Force on Donor Practices developed a Best Practices Guide in 2003 to guide and improve donors' performance and achieve increased aid effectiveness. The Best Practices Guide sets out to create a good institutional framework for aid coordination and donors' cooperation by providing a set of guiding principles for all the good practices (OECD, 2003, p. 18). Although the DAC's mandate is to provide guidance primarily for donors, it is also beneficial for partner countries when they design their development programmes (OECD, 2006, p. 19). This is important because donor's ability to effectively adopt the guiding principles and good practices will

depend on the commitment and capacity of partner governments to improve donor's coordination and aid effectiveness (OECD, 2003, p. 18). While this document puts forward practical guidelines on how donors can support partner country ownership by harmonising their procedures, and is applicable to all modalities of aid delivery, it is most relevant to project support (OECD, 2006, p. 18).

The second High-Level Forum on aid effectiveness was held in Paris, on the 2nd. March 2005. It reaffirmed the commitments made in Rome to harmonise and align aid delivery. The Paris Declaration on Aid Effectiveness¹¹ is part of a global commitment to reduce poverty, increase economic growth, achieve sustainable development, and attain the MDGs. According to Venter (2008, p. 20) the Paris Declaration provides a set of indicators that serve as "a road map for reforming the delivery and management of aid, with the aim of making aid more effective."

With the goal to strengthen the international framework for aid effectiveness the Paris Declaration (OECD, 2005a, pp. 3-8) outlines five fundamental Partnership Commitments/Indicators of Progress for aid effectiveness:

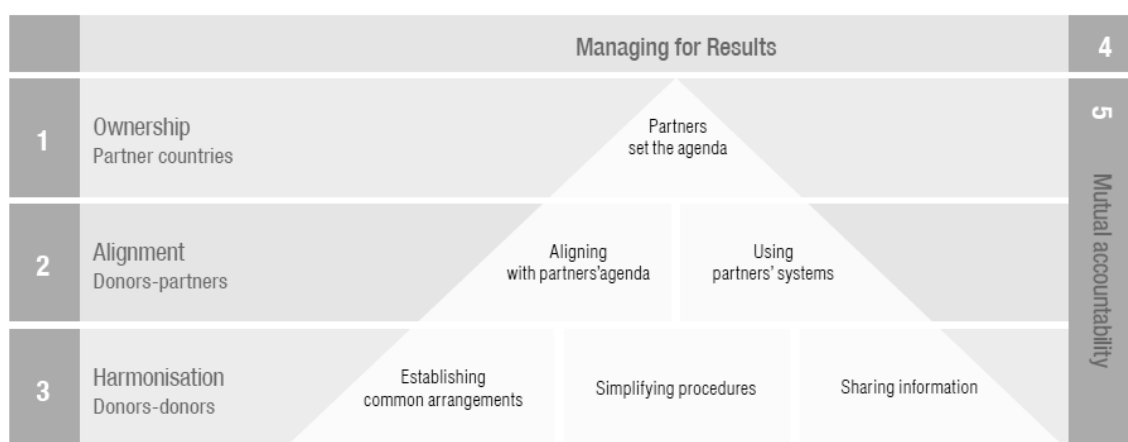
- i. **Ownership:** partner countries exercise effective leadership over their development policies and strategies, and coordinate development actions;
- ii. **Alignment:** donors base their overall support on partner countries' national development strategies, institutions and procedures;
- iii. **Harmonisation:** donors' actions are more harmonised, transparent and collectively effective;
- iv. **Managing for Results:** managing resources and improving decision-making results; and
- v. **Mutual Accountability:** donors and partners are accountable for development results.

As illustrated by Fig. 3.1 – a pyramid representing the principles and commitments of the Paris Declaration – a great deal of emphasis is placed on the ownership of development priorities and strategies by partner countries as it is positioned at the top of the pyramid. Progress made towards the partner country development agenda is

¹¹Appendix 5 illustrates to what extent the targets set out during the Paris Declaration have been met. This information is from the 2011 Survey on Monitoring the Paris Declaration, in which a total of 78 countries and territories volunteered to participate, with targets to be achieved by 2010 (OECD, 2011, p. 15).

dependent on the successful ownership of development priorities. This will assist in strengthening the remaining principles and commitments, such as: alignment involves donors' alignment with partners' agendas and reliance on partners' systems; this will assist in the harmonisation of donors' efforts in aid delivery; as it ties in with the cross-cutting nature of both Managing for Results and Mutual Accountability (Stern et al., 2008, p. 2).

Fig. 3.1. Pyramid Representing the Principles and commitments of the Paris Declaration



Source: OECD (2011a, p. 18).

In the spirit of mutual accountability, donors and partner countries are committed to the continuous process of evaluating and measuring the progress towards aid effectiveness by 2010, using 12 indicators. Fig. 3.2. illustrates the indicators used for this assessment.

Fig. 3.2. Paris Declaration Indicators of Progress

| Ownership | | Target for 2010 |
|------------------------------|---|---|
| 1 | <i>Partners have operational development strategies</i> – Number of countries with national development strategies (including PRSs) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets. | At least 75% of partner countries have operational development strategies. |
| Alignment | | Targets for 2010 |
| 2 | <i>Reliable country systems</i> – Number of partner countries that have procurement and public financial management systems that either a) adhere to broadly accepted good practices or b) have a reform programme in place to achieve these. | (a) Public financial management – Half of partner countries move up at least one measure (<i>i.e.</i> , 0.5 points) on the PFM/CPIA (Country Policy and Institutional Assessment) scale of performance. (b) Procurement – One-third of partner countries move up at least one measure (<i>i.e.</i> , from D to C, C to B or B to A) on the four-point scale used to assess performance for this indicator. |
| 3 | <i>Aid flows are aligned on national priorities</i> – Per cent of aid flows to the government sector that is reported on partners' national budgets. | Halve the gap – halve the proportion of aid flows to government sector not reported on government's budget(s) (with at least 85% reported on budget). |
| 4 | <i>Strengthen capacity by co-ordinated support</i> – Per cent of donor capacity-development support provided through co-ordinated programmes consistent with partners' national development strategies. | 50% of technical co-operation flows are implemented through co-ordinated programmes consistent with national development strategies. |
| 5a | <i>Use of country public financial management systems</i> – Per cent of donors and of aid flows that use public financial management systems in partner countries, which either a) adhere to broadly accepted good practices or b) have a reform programme in place to achieve these. | Score¹ |
| Target | | |
| Per cent of donors | | |
| 5+ | | All donors use partner countries' PFM systems. |
| 3.5 to 4.5 | 90% of donors use partner countries' PFM systems. | |
| Per cent of aid flows | | |
| 5+ | A two-thirds reduction in the % of aid to the public sector not using partner countries' PFM systems. | |
| 3.5 to 4.5 | A one-third reduction in the % of aid to the public sector not using partner countries' PFM systems. | |
| 5b | <i>Use of country procurement systems</i> – Per cent of donors and of aid flows that use partner country procurement systems which either a) adhere to broadly accepted good practices or b) have a reform programme in place to achieve these. | Per cent of donors |
| A | | All donors use partner countries' procurement systems. |
| B | | 90% of donors use partner countries' procurement systems. |
| Per cent of aid flows | | |
| A | A two-thirds reduction in the % of aid to the public sector not using partner countries' procurement systems. | |
| B | A one-third reduction in the % of aid to the public sector not using partner countries' procurement systems. | |
| 6 | <i>Strengthen capacity by avoiding parallel implementation structures</i> – Number of parallel project implementation units (PIUs) per country. | Reduce by two-thirds the stock of parallel project implementation units (PIUs). |
| 7 | <i>Aid is more predictable</i> – Per cent of aid disbursements released according to agreed schedules in annual or multi-year frameworks. | Halve the gap – halve the proportion of aid not disbursed within the fiscal year for which it was scheduled. |
| 8 | <i>Aid is untied</i> – Per cent of bilateral aid that is untied. | Continued progress over time. |
| Harmonisation | | Targets for 2010 |
| 9 | <i>Use of common arrangements or procedures</i> – Per cent of aid provided as programme-based approaches | 66% of aid flows are provided in the context of programme-based approaches. |
| 10 | <i>Encourage shared analysis</i> – Per cent of a) field missions and/or b) country analytic work, including diagnostic reviews that are joint. | (a) 40% of donor missions to the field are joint. (b) 66% of country analytic work is joint. |
| Managing for results | | Target for 2010 |
| 11 | <i>Results-oriented frameworks</i> – Number of countries with transparent and monitorable performance assessment frameworks to assess progress against a) the national development strategies and b) sector programmes. | Reduce the gap by one-third – Reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third. |
| 12 | <i>Mutual accountability</i> – Number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in this Declaration. | All partner countries have mutual assessment reviews in place. |

1. **Note on Indicator 5:** Scores for Indicator 5 are determined by the methodology used to measure quality of procurement and public financial management systems under Indicator 2 above.

Source: OECD (2006, p. 16).

The second volume of the DACs best practices guide came after the Paris Declaration with an aim of assisting the aid effectiveness model set out in the Paris Declaration. This volume primarily focuses on providing budget support and support to sector-wide approaches. In this regard, it places great importance to the relevance of public financial management issues for the two modalities of aid delivery (OECD, 2006, p. 18). The “best practices” is simply a guide, a point of reference to assist development agencies in all countries, and it establishes a benchmark for donors’ performances in partner countries and provides a transparent basis for donors’ accountability (OECD, 2006, p. 18).

The changes towards an intensified and more effective partnership between donors and partners, and the expected trajectory of the progress towards the implementation of the agenda set out in the Paris Declaration, have been somewhat slower than expected. According to the 2011 Report on Progress in Implementing the Paris Declaration, only one of the thirteen targets established for 2010 – coordinated technical cooperation – has been met on a global level (OECD, 2011a, p. 15). The Accra Agenda for Action held in Accra, Ghana, on the 4th. September 2008, was the third High-Level Forum on aid effectiveness as it set out to accelerate and deepen the implementation of the Paris Declaration. The Accra Agenda for Action stressed three major challenges: country ownership; building more effective and inclusive partnerships; and achieving development results (OECD, 2008, pp. 16-19).

The Busan Partnership for Effective Development is the fourth and final High-Level Forum which took place in Busan, Korea, from the 29th. November to the 1st. December 2011. The Busan Forum boasted a variety of stakeholders: parliamentarians, civil society organisations (CSOs), and representatives from the private sector and academia (OECD, 2011b, p. 10). Much progress needs to be made towards achieving the indicators set out by the Paris Declaration as only one out of thirteen indicators have been met. It was noted that more needed to be done to promote sustainable development, and that “deepening the aid effectiveness agenda would not suffice.” (OECD, 2011b, pp. 10-11) As a result, development effectiveness needs to be part of the agenda in which “(a)id should be used as a catalyst to leverage other development financing including trade, private investment, and domestic resources.” (OECD, 2011b, pp. 10-11)

3.3. Understanding the Principles of the Paris Declaration

3.3.1. Ownership (the case for ownership)

Ownership is perhaps the most important principle of the Paris Declaration. If properly adhered to, it forms the necessary foundation that will allow the remaining principles to function effectively. Ownership takes form in a national development strategy. The Paris Declaration has placed partner countries' ownership of policies and programmes at the centre of the international agenda to make aid more effective. Country ownership was stressed as being key to accelerating the progress made towards the commitments made in Paris. Subsequently, the Accra Agenda urged developing countries governments to "take stronger leadership of their own development policies." (OECD, 2008, p. 16) The Accra Agenda marked an evolution on this consensus as it called for a more inclusive process of developing and implementing development policies and plans. Such a process should have governments work closely with parliamentarians, local governments and engage with CSOs to help foster the role of the society as broad owners of development efforts (OECD, 2011a, p. 29).

The purpose of this paper was to assess the strides made by the Government of the Kingdom of Swaziland (GoS), and the donor community within Swaziland, towards achieving the goals set out by the Paris Declaration. However, the key assessment will be based on the ownership the GoS has taken with regard to its development policies, in particular those that prioritise poverty reduction. The NDS of the GoS is a long-term development strategy which spans over a twenty-five year period – from 1997 until 2022 – within which short and medium-term development plans will be formulated (GoS, 1999a, p. 2). Within the NDS the medium-term development plans are articulated through the PRSAP for the 2005-2015. This will be discussed in further detail in the following chapter.

3.3.2 Alignment

Alignment is the process through which donors support partner countries' national development strategies (OECD, 2005a, p. 3). As indicated on appendix 3, there are seven indicators that monitor the progress made towards this principle. Alignment allows for donors and partner countries to work together in establishing mutually agreed

upon frameworks that will encourage the improvement and the use of national systems and procedures, which include, but are not restricted to, national arrangements and procedures for public financial management, accounting, auditing, procurement, results' frameworks and monitoring (OECD, 2005a, p. 4).

3.3.3. Harmonisation

Under the Paris Declaration, the principle of harmonisation seeks to ensure that aid policies are more harmonised between donors within the partner country, and between partners and donors. The aim is for donors to work together in order to reduce the number of separate, duplicative missions in one country (OECD, 2005a, p. 6). To avoid fragmentation, donors and partners need to work together to harmonise separate procedures while it falls on partner countries to build strong institutions and to establish effective government structures that will encourage donors' aid, and it falls on donors to harmonise their activities and make maximum use of recipients' national systems (OECD, 2005a, pp. 6-7).

3.3.4. Managing for Results

This means "(...) managing and implementing aid in a way that focuses on the desired results and uses information to improve decision-making." (OECD, 2005a, p. 7) Partner countries are committed to establishing results-orientated reporting and assessment frameworks that monitor progress, while donors are encouraged to work with partner countries and rely, as far as possible, to partner countries' reporting and monitoring frameworks (OECD, 2005a, p. 7).

3.3.5 Mutual Accountability

As agreed upon in the Paris Declaration, this principle is centred upon a commitment made by both donors and partners towards shared and mutual accountability of development results. This implies that partner countries need to be committed to the process of formulating, assessing and adopting national policies that systematically involve a broad range of development partners (OECD, 2005a, p. 8). Donors need to provide timely and transparent information on aid flows (OECD, 2005a, p. 8). In essence this principle encapsulates all the principles represented in the Paris Declaration.

3.4. The Paris Declaration: Against its Strengths

The Paris Declaration has received much support from donors and partners. This support is further entrenched with the goal of measuring the progress made towards the achievement of five core principles with twelve indicators by 2010. Against its strengths, this framework for aid effectiveness has its weaknesses. The United Nations Economic and Social Council (ECOSOC, 2008, p. 3) points out three weaknesses:

- i. the following areas established within the framework of the Paris Declaration could be improved: broadening the subjects covered by either adding more principles, or creating additional indicators; improving clarity, monitoring and comprehensiveness of the indicators established in the Paris Declaration; strengthening transparency and inclusiveness of monitoring and of mutual accountability;
- ii. The process that developed the Paris Declaration did not involve a full range of stakeholders. However, this weakness was somewhat addressed in the Busan Partnership for Effective Development. Busan brought together the broadest range of stakeholders in international development, with over 3.000 participants. Several heads of states, ministers from 160 countries, heads of international organisations, parliamentarians, partners from CSOs, and representatives from the private sector and academia attended this meeting (OECD, 2011b, p. 10). Busan achieved what could what was lacking in Paris and Accra – an inclusive partnership.
- iii. The third concern is related with a possible overload with the procedures established in the Paris Declaration, which imposes transaction costs. These costs may not have a positive impact on sustainable development. As stated in the ECOSOC (2008, p. 4),

(t)here is a need to demonstrate to political actors at top-level clear links between the issues of aid effectiveness and the broader issue of development effectiveness, in order to persuade politicians in both donor and recipient countries that it is their interests to change the business of aid in order to ensure sustainable development results.

The links between development effectiveness and aid effectiveness were addressed in the Busan Partnership for Effective Development and made up the core of this fourth, and final High-Level Forum on aid effectiveness. According to the OECD (2011, p. 11),

(d)eepening the aid effectiveness agenda will not suffice to promote sustainable growth and development, and to respond to the rapidly changing world. To make development happen and enhance the impact of co-operation, there is a need to take a broader approach to development.

The Paris Declaration has created an opportunity for both donors and partner countries to improve their ability to deliver and receive aid (Venter, 2008, p. 20). Yet, progress towards the commitments made in the Paris Declaration has been somewhat slow. As stated in Busan, in 2011 only one out of the thirteen indicators have been met (OECD, 2011b, p. 10). In light of all the efforts made, has aid effectiveness improved? And, more importantly, to what extent have donors and, in particular, partner countries delivered on the Paris Declaration commitments? The latter question is what this dissertation intends to address.

IV. Swaziland in Context

Introduction

With the increasing emphasis on national ownership of development policies to improve the effectiveness of aid, it is important to gain some insight on Swaziland's profile in order to better understand the country's development challenges. This chapter aims at providing a brief introduction of Swaziland by outlining key historical, economic, social, and political events that are relevant for the purpose of this dissertation. Section 4.1 outlines some of the historical events that have led to the creation of modern Swaziland. Section 4.2 discusses Swaziland's economic and social improvement as well as the challenges of recent years, while section 4.3 examines the major social and socio-economic developments, and section 4.4 looks at Swaziland's political landscape.

The Kingdom of Swaziland, also known as *Ngwane*, is a small landlocked country in South-Eastern Africa. Swaziland shares a border with the Republic of South Africa – to its North, West, and South – and the Republic of Mozambique, to its East. Swaziland covers a land area of 17.364 square kilometres, making of it, after Gambia, the smallest country in Africa. It is divided into four regions: Hhohho (North-West), Manzini (Central), Lubombo (East), and Shiselwini (South)¹² (Davies et al., 1985, p. ix). Swaziland is the only country in SSA that has survived the independence period as a monarchy (Booth, 2000, p. 1). By SSA standards, Swaziland is a relatively wealthy nation, as measured by per capita gross national product (GNP). However, this wealth comes at the price of extreme political and social tension, caused by, in part, the widening gap between the rich and the poor (Booth, 2000, p. 1).

4.1. History

4.1.1. The Pre-Colonial Period

The historical origins of the Swazi nation can be traced back to an estimated 2.500 years ago. Originally from the Niger Delta in West Africa, the Bantu-speaking people started to make their way South and Eastwards at an estimated 1.000 BC arriving in Southern Africa in small waves at around 500 AD. As a result of sporadic migration patterns of

¹²See Appendix 6 for a map of Swaziland with the regions and cities.

Bantu speaking people, some groups – the ancestors of today's Nguni people¹³ (Zulu, Xhosa, Swazi and Ndebele) settled near the coast, rather than inland (Beck, 2000, p. 16). The Swazi people (the Ngwaneor *bakaNgwane*) are Southern-Eastern Bantus, as they speak the siSwati, a dialect of the Nguni branch of the Bantu language group (Booth, 2000, pp. 3-4).

It was during the early 19th century that the Ngwane moved further North into North-Central Swaziland due to the violent upheavals, known as the *Mfecane*. According to Davies et al. (1985, p. 1) this was when “(t)he Kingdom of Swaziland came into being.” During this period King MswatiII, after whom the Swazis were named, possessed the necessary military strength to unite and expand his kingdom to the North and South (Bradley et al., 2010, p. 620). In his quest for expansion Mswati II came into contact with British missionaries and Boer *voortrekkers* in the 1840s. Unlike other kingdoms and tribes, Mswati II treated the Boers and the British as allies against rival tribes, most notably the powerful Zulu kingdom (Bradley et al., 2010, p. 623). In 1881, after the first Anglo-Boer War, the Boer and British governments acknowledged Swaziland's independence and the kingdom was formally declared a British protectorate in order to avoid Swaziland's incorporation into either the Transvaal Boer republic or the Portuguese colony of Mozambique, which had both laid territorial claims to Swaziland (Davies et al., 1985, pp. 1-2).

4.1.2. The Colonial Period

During this period the Swazi King Mbadzeni was persuaded to cede large parts of the kingdom to Boer farmers seeking winter grazing lands (Davies et al., 1985, p. 2). The years following Mbadzeni's death (1889) and those of his successor, King Bhunu (1895-1899), were under the rule of the Queen-regent Labotsibeni, or *Indlovukazi* – queen regent at the time (Booth, 2000, p. 6). In order to clarify the confusion over grazing lands' rights issued during the Mbadzeni era, the British colonial authority intervened. This resulted in the concession of two-thirds of the kingdom to foreign concessionaries during the period between 1904 and 1908 (Booth, 2000, p. 6). The

¹³ The Bantu people who migrated to South Africa are known as the Nguni, and they are divided into two groups: the Northern Nguni and the Southern Nguni. The Northern Nguni includes the Zulu (from Kwazulu Natal, South Africa), the Swazi (From Swaziland, and Mpumalanga, South Africa), and the Shangaan (from Southern Mozambique). The Southern Nguni include the Xhosa, the largest group in the Southern Nguni family (Mwakikagile, 2008, p. 153).

remaining third would be reserved to the 'Swazi Nation', or what has become known as 'Swazi Nation Land (SNL)' (Davies et al., 1985, p. 2).

In 1910 Swaziland – and the other High Commissioner Territories, Basutoland (Lesotho), and Bechuanaland (Botswana) – joined the Southern African Customs Union (SACU)¹⁴, and the Schedule to the Union of South Africa Act envisaged their eventual incorporation into South Africa (EISA, 2008a). The desire to incorporate the High Commissioner Territories was both economic (as the SACU allowed for the Territories to be administered as an integral part of South Africa with no tariff constraints on the flow of goods between the countries) and political (as the SACU encouraged the overwhelming economic dependence of the Territories on South Africa) (McCarthy, 2003, p. 14).

In 1921, King Sobhuza II acceded to the throne and inherited many challenges. One in particular was the incorporation of Swaziland into South Africa (Booth, 2000, p. 8). The radical changes made by the South African government with the implementation of a new apartheid system, which was based on racial discrimination and white persons' political domination, relinquished the possibilities of incorporation (Beck, 2000, p. 125). South Africa's intense discriminatory policies coupled with its independence from the Commonwealth and its change to a republic, resulted in the removal of the 1910 Schedule to the Union of South Africa Act which stated that the territories would be incorporated into South Africa (Zwane, 1964, p. 4).

It was during the 1960s that Swaziland's efforts towards colonial independence began to accelerate. Unlike the other Territories, Swaziland had no legislative body. This issue was resolved during the drafting of the Constitution. The process leading up to the implementation of the Constitution was characterised by disagreements between several interest groups, which led to a two factions' polarization. On one hand, the conservative-traditionalist element represented by King Sobhuza II, together with the Swazi National Council (SNC), or *Sibaya*, backed by the European Advisory Council. On the other hand, the nationalist-progressive element, the Ngwane (Swazi) National Liberatory Congress (NNLC) (Zwane, 1964, p. 4). In 1964 Swaziland's first

¹⁴The original 1910 SACU agreement was between the Government of the Union of South Africa, the High Commissioner Territories of Basutoland, Swaziland, and the Bechuanaland Protectorate (SACU, 1910). Currently SACU consists of Botswana (previously Bechuanaland), Lesotho (previously Basutoland), Swaziland, Namibia and South Africa (SACU, 2013).

Constitution entered into force, and during the same year Sobhuza II established a political party, the Imbokodvo National Movement (INM) (Vieceli, 1982, p. 58). By the time of pre-independence parliamentary elections in 1967, the INM had consolidated their political support among the population, and achieved undisputed control over the post-colonial state (Vieceli, 1982, p. 58).

4.1.3. Independence

On September 6th, 1968, Swaziland achieved independence and inherited a Westminster-style Constitution providing for a multi-party electoral system. Issues surrounding political parties began to surface in the 1972 parliamentary elections. The INM managed to maintain domination by winning 21 out of the 24 National Assembly seats, while the NNLC obtained the remaining three seats (Vieceli, 1982, p. 58). This triggered a judicial crisis as the INM challenged the citizenship of one of the NNLC elected Member of Parliament, a South African named Thomas Ngwenya (Kabemba et al., 2004, p. 5). The loss of the three seats did not represent a serious threat to the INM, nor did the nationality of the South African MP. What made this significant was that constituencies containing large numbers of sugar plantation workers elected the three candidates. This indicated, according to Vieceli (1982, p. 58), that “(...) the NNLC was still capable of capturing the support of industrial workers and those who were not dependent upon the Swazi rulers for land.”

The government took immediate action and ordered the deportation of Thomas Ngwenya. When Ngwenya's challenge to the deportation order held up in court, Sobhuza II and the SNC submitted the Immigration Amendment Act to the parliament. The Act was passed and once again Ngwenya was deported. Ngwenya challenged the government by taking the matter to the Appeal Court, where the Amendment Act was deemed unconstitutional (Vieceli 1982, p. 59). As a final political solution, in April 1973 Sobhuza II declared a state of emergency as he suspended the 1968 Constitution and issued a royal decree declaring political parties illegal (including the INM). Right after he took control of all legislative, judicial, and executive powers (Kabemba et al., 2004, p. 6).

Economically, Swaziland continued to depend on South Africa, since the sole medium of exchange and legal tender was the rand. In accordance with the SACU agreement all

external transactions were made through South African banks and subject to South African exchange controls (McCarthy, 2003, p. 7). On the 5th December 1974 the currency union was formally established, with the signing of the Rand Monetary Agreement (RMA)¹⁵.

4.1.4. Rule under King Mswati III

The events that followed 1973 shaped the future of Swaziland's political system, as it was during this period that the *Tinkhundla* system of governance was first put in place. The 1980s was a decade of change as it brought about formal opposition to the system, exacerbated by the death of Sobhuza in 1982. In 1986 Prince Makhosetive was crowned as King Mswati III (Vieceli, 1982, p. 59). Faced with immense international and domestic pressure for political reform, in 1996 Mswati III appointed a Constitutional Review Commission (CRC) which was tasked of drafting the proposal for a new Constitution. After five years the CRC was dismantled and the King appointed a new commission tasked with the duty of creating a new Constitution (Kabemba et al., 2004, p. 7). On July the 26th. 2005, Mswati III signed the draft of the new Constitution marking the end of a ten year drafting and consultation process. The Constitution of the Kingdom of Swaziland came into force on the 8th. February 2006 (GoS and European Commission, 2006, p. 60). The new Constitution did not bring about any significant political changes. The ban on political parties has not been lifted and the separation of powers between the executive, made up of the King as Head of State, the legislative and judiciary is blurred (AFDB, 2011, p. 1).

4.2. Economic Overview

Swaziland is classified as a lower middle-income country with a GNI of USD 3.470 per capita in 2011 (World Bank, 2013a). Although Swaziland is categorised as a lower middle-income country poverty is widespread, with a population of approximately 1,068 million in 2011, 63 per cent of whom lived under the 1,25 dollar-a-day income poverty line (World Bank, 2013a). A landlocked country largely surrounded by South Africa, Swaziland's economy is integrated with the world economy through two main channels: directly, with sugar exports to the European Union (EU), and indirectly,

¹⁵ The RMA agreement was revised in April 1986 to establish the Common Monetary Area (CMA), between Swaziland, Lesotho, and South Africa. Namibia joined the CMA in 1992 (McCarthy, 2003, p. 8).

through its close economic and financial integration with South Africa (Basdevant et al., 2013, p. 5). This heavy dependence on its neighbour has translated into South Africa accounting for more than 80 per cent of Swaziland's imports and an estimated 64 per cent of exports (World Bank, 2013b).

The Swazi economy benefits from preferential access to the EU under the Cotonou, the U.S under the African Growth and Opportunity Act (AGOA) (IMF, 2006, p. 6). Swaziland is also a member of the WTO and a number of regional economic organizations, such as the Common Market of Eastern and Southern Africa (COMESA), SACU, the CMA, and the Southern African Development Community (SADC). Due to its large agricultural and agro-industry base, wood pulp, sugar, soft drink concentrate, and canned fruit remain the country's main exports, and the main imports are motor vehicles, machinery, transport equipment, petroleum products, and chemical products¹⁶(GoS and European Commission, 2007, p. 4.) Although the manufacturing industry is the anchor of economic growth in Swaziland (SACU, 2012, p. 48), 70 per cent of the population depends on the agricultural sector for subsistence (AfDB, 2011, p. 7).

¹⁶See Appendix 7 for Swaziland's exports and imports by region and Swaziland's top ten sources of imports and destinations of exports.

Box 4.1 Contributions of the Sugar Sector to Swaziland's Economy

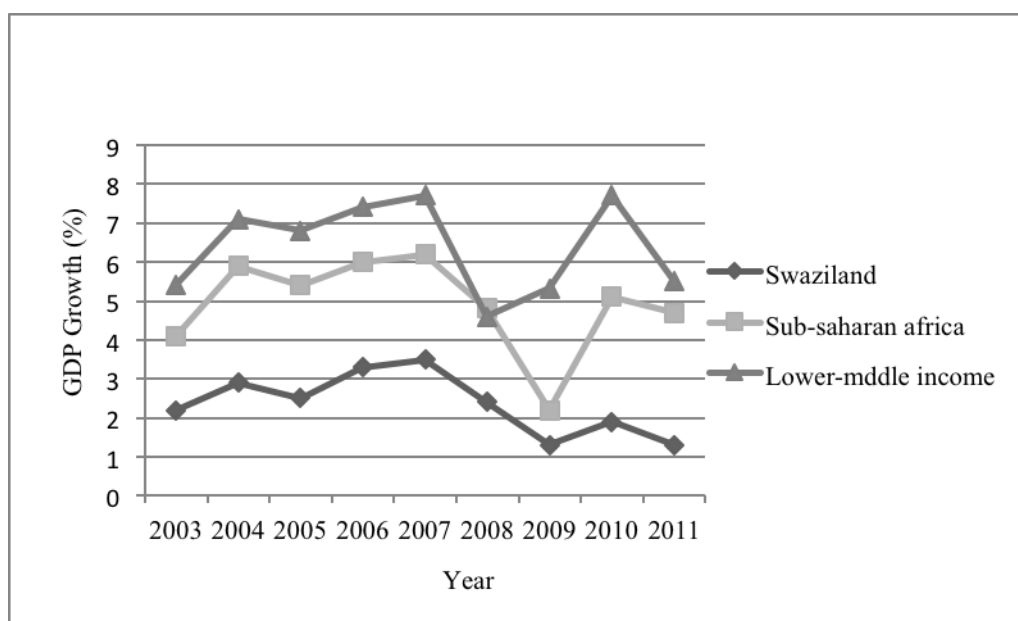
Swaziland's sugar industry has become a critical aspect to Swaziland's development over the years. Sugar cane has become the most prevalent crop in irrigated agriculture – the only other crops that occupy irrigated land in Swaziland are citrus, bananas, and vegetable – of which it accounts for more than 90 per cent of Swaziland's allocated water (GoS, 2007, p. 6). According to the Swaziland Sugar Association (2013), in 2005 the sugar industry accounted for:

- 59 per cent of agricultural output;
- 18 per cent of GDP;
- 24 per cent of manufacturing output;
- 35 per cent of agricultural employment;
- 18 per cent of manufacturing employment;
- 16 per cent of private sector employment;
- 10 per cent of formal sector employment;
- 7 per cent of total export earnings
- 58 per cent of total Swazi exports to the EU.

As a signatory to the ACP-EU Partnership (Cotonou) Agreement, Swaziland has benefited tremendously under the ACP preferential agreements: the Sugar Protocol and the Special Preference Sugars (IMF, 2006, p. 6). Although sugar exported to SACU countries accounts for more than half of Swaziland's sugar exports, under the preferential agreements Swaziland was able to export sugar to the EU at prices that were three times higher than those in unprotected sugar markets. Even though exports to the EU only accounted for a quarter of the total sugar exports in volume terms, it generated 40 per cent in value (IMF, 2006, p. 6). Earnings of sales from the EU became a major source of industry revenue during the years prior to the reforms. Consequently, the 2006 EU sugar reforms marked the beginning of a gradual reduction in the sugar price paid by Europe, which adversely affected Swaziland's sugar industry and overall economy (GoS and European Commission, 2007, p. 4). To facilitate the process of transition in the sugar sector, the EC has assisted Swaziland with an aid package funded by the European Commission's general budget called "Accompanying Measure for Sugar Protocol Countries" (AMSPC). Programmes under AMSPC have been signed for the years (2006, 2007, and 2008) (EEAS, 2012).

Swaziland has remained one of the slowest growing economies in sub-Saharan Africa, as illustrated in figure. 4.1., with an average annual gross domestic product (GDP) growth, from 2003 to 2011, of 2,4 per cent¹⁷. According to the European Commission (2006, p. 9), the main reasons for Swaziland's weakening growth performance are "(...) low investments, deteriorating terms of trade and competitiveness, coupled with poor governance ratings." Growth is further hampered by institutional factors such as "(p)oor labour productivity, with high cost of doing business, and low governance and transparency indicators deter new investment." (European Commission, 2009, p. 9) Although Swaziland is considered a lower middle-income country as ranked according to its GNI of US\$ 3.470 per capita in 2011 (World Bank, 2013a), it is merely a reflection of the highly skewed income distribution within the country as 63 per cent of the Swazi population are living under the poverty line and unemployment levels continue to rise with over 50 per cent in the 15-24 age group (AfDB, 2012, p. 2).

Fig. 4.1. Annual GDP Growth: Swaziland, SSA, and lower-middle income countries



Source: World Bank (2013c).

As a member of the CMA, Swaziland's currency – lilangeni (singular), or Emalangeni (plural), which is marked by the symbol "E" – is pegged at par to the South African

¹⁷I calculated the average annual GDP growth by adding the annual GDP growth of the following years: 2003 (2,2%), 2004 (2,9%), 2005 (2,5%), 2006 (3,3%), 2007 (3,5%), 2008 (2,4%), 2009 (1,3%), 2010 (1,9%) and 2011 (1,3%) and dividing the total by nine (the number of years in this time-sequence).

rand. Nonetheless, Swaziland has the liberty, as stated in the CMA agreement, to delink the lilangeni from the rand (Kumaloand et al., 2011, p. 5). Any modification in the exchange-rate of the rand will spill over into an equivalent change in the lilangeni, forcing Swaziland to pursue an economic policy that is, to a large extent, influenced by South African interests. As a small, highly open and landlocked economy, Swaziland's high dependence on a limited number of exports and undiversified markets leaves the country vulnerable to external shocks. Swaziland's membership to the CMA and SACU has provided relative stability, and the pegging of the lilangeni to the rand has been an important cushion to the country's financial sector (AfDB, 2011, p. 19).

With an average growth rate over 2 per cent over the past decade, Swaziland's economic performance has been almost half of that of its SACU partners (AfDB, 2011, iii). Swaziland is also highly dependent on SACU revenues, which account for over half of the total of government's revenue¹⁸ (McCarthy, 2003, p. 17). This high dependence leaves Swaziland exposed to external shocks (Basdevant et al., 2013, p. 9). As Basdevant et al. (2013, p. 10) explain,

(...) SACU transfers are not explicitly modelled (...). Small shocks on South African GDP have very significant impact on SACU transfers received by smaller members of the union, such as Swaziland. South Africa generates about 90 percent of the revenue of the SACU pool, and the existing rules make BLNS receipts heavily dependent on South Africa GDP projections.

Consequently, following the global economic slowdown, Swaziland experienced a fiscal crisis due to a decline in SACU revenues, which were lower than expected. This resulted in the economic slowdown from 1,9 per cent in 2010, and 1,3 per cent in 2011, which is significantly below the long-term average growth rate (2012, SACU, p. 48). The impact of the global crisis led to a 62 per cent decline in SACU receipts, which ultimately worsened Swaziland's fiscal position in 2010/2011 (SACU, 2010, p. 56). The large fiscal deficits accumulated during the fiscal years of 2010/11 accounted for an estimated 13 per cent of GDP (Basdevant et al., 2013, p. 29). See table 4.1 for an illustration of Swaziland's fiscal deficit for the 2009/2010-2010/2011 period¹⁹.

¹⁸For more information on SACU and the new Revenue Distribution Formula, see McCarthy (2003) and Wang et al. (2007).

¹⁹ Table 4.1 is merely a summary made by the author. For a better illustration please refer to appendix 5 which contains two tables: Swaziland's Selected Economic Indicators, 2009-16; and Swaziland's Fiscal Operations of the Central Government, 2009/10-16/17.

Table 4.1: *Swaziland's Fiscal Deficit 2009/2010-2010/2011*

| (E Millions²⁰) | | | | |
|--|------------------|-----------------|------------------|-----------------|
| | 2009/2010 | % of GDP | 2010/2011 | % of GDP |
| GDP at Market Price | 24 995 | 100 | 27 064 | 100 |
| Total Revenue and Grants | 9 222 | 35.7 | 7 053 | 24.5 |
| Expenditures and Net Lending | 11 038 | 43.3 | 10 596 | 38.3 |
| Overall Fiscal Balance (Excluding grants) | -1 936 | -7.6 | -3 838 | -13.9 |
| Public debt, Gross | | 12.6 | | 20.6 |

Source: Mongardini et al. (2011, pp. 17-18).

Prior to the global economic crisis, in the financial year 2006/2007 SACU receipts contributed with 71 per cent of Swaziland's total revenue (SACU, 2007, p. 37)²¹. In 2007/2008 SACU revenues remained the dominant contributor to national revenue (63,1 per cent of the total) (SACU, 2009, p. 41). Table 4.2 shows Swaziland's dependence on SACU revenues by illustrating how much of Swaziland's income comes from SACU. The decline in SACU revenues experienced in 2010/2011 and 2011/2012, coupled with a widened public wage bill (at an estimated 15 GDP per cent), gave rise to the fiscal crisis (Basdevant et al., 2013, p. 15). In 2010/2011, Swaziland's total public revenue, including grants, was E7,26 billion whilst total public expenditures amounted to E9,5 billion resulting in a deficit of 2,24 billion (SACU, 2012, p. 47).

²⁰Throughout this dissertation the financial figures may be displayed as US\$, Euro or Emalangeni. Appendix 8 illustrates the average annual exchange rate for the years 2009-2012. Appendix 9 gives a more detailed illustration of selected economic indicators and fiscal operations of the Central Government 2009-17.

²¹ SACU revenue received in a given year is based on GDP projections for that year. An adjustment is made in that year by adding two more years, to correct for discrepancies between the transfers received (i.e., based on the projections) and the level corresponding to the actual collection (i.e., based on actual numbers). This two-year lag has proven, in the context of the 2008 crisis, very damaging (Basdevant et al., 2013, p. 10). The damaging effects of the global crisis are thus felt in 2010/2011 and 2011/2012 as illustrated by table 4.1.

Table 4.2: *Swaziland Government Budgetary Operations*

| (E Millions) | | | | |
|----------------------|--------------|--------------|--------------|---------------|
| | 2009/2010 | 2010/2011 | 2011/2012 | 2012/2013 |
| Total Revenue | 9 400 | 6 968 | 7 313 | 12 216 |
| of which SACU | 6 000 | 2 631 | 2 884 | 7064 |
| % Total Revenue | 64 | 38 | 39 | 58 |

Source: Adapted from SACU (2010, p. 55) and SACU (2012, p. 47).

4.3. The Social Situation

Swaziland's classification as a middle-income country is somewhat contradictory, because unlike most middle income countries – and characteristically similar to most low-income countries of SSA – 70 per cent of the Swazi population is dependent on subsistence farming for their livelihoods (AfDB, 2011, p. 7), many of which are living under the poverty line (World Bank 2013a). With a 2013 Human Development Index (HDI) of 0,536, which gives the country a rank of 141 out of 187 countries (UNDP, 2013), poverty reduction is central to the GoS, and towards the achievement of the MDGs. This has been elaborated in the 2005 PRSAP (GoS and European Commission, 2007, p. 13). The PRASP aims at improving governance, economic growth and human development with the overall objective of cutting the poverty rate by 50 per cent from its 1995 level by 2015 (GoS and European Commission, 2007, p. 13). In 2011, 63 per cent of the population lived under the national poverty line, down from the 69 per cent in 2005, as indicated in table 4.3²². Despite the positive outcomes in poverty reduction, the current fiscal crisis threatens to reverse these gains (AfDB, 2011, p. 8), and income inequalities remain at all time highs with a 2010 Gini index²³ estimate of 51,5 (World Bank, 2013c).

²² The indicators represented in table 4.3 have been specifically selected by the author for the purpose of this dissertation. For the complete list of Indicators for Monitoring the Millennium Development Goals the information is available at: <<http://mdgs.un.org/unsd/mdg/Resources/Attach/Indicators/HandbookEnglish.pdf>> (accessed on 23/06/2013).

²³ The Gini index measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from perfectly equal distribution. A Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality (World Bank, 2013c).

Table 4.3: *Indicators for Monitoring the MDG's: Swaziland*

| MDGs Indicators | 1995 | 2000 | 2005 | 2010 | Target |
|---|-------------|-------------|-------------|-------------|---------------|
| Population below national poverty line, total, (%) | 66 | 69 | 69 | n.a | 35 |
| Population undernourished (%) | 23 | 18 | 19 | 30 | - |
| Net enrolment in primary education (%) | n.a | 78 | 76 | 86 | 100 |
| Ratio of girls to boys in primary education | n.a | 1:08 | 1:01 | 1:01 | 1:01 |
| Ratio of girls to boys in secondary education | n.a | 1.08 | 1:01 | 1:01 | 1:01 |
| Primary completion rate (%) | 63 | 61 | 65 | 76 | - |
| Literacy rate, age 15-24, (%) | n.a | 92 | n.a | 93 | - |
| Mortality rate, infant per 1 000 live birth) | 65 | 77 | 82 | 71 | - |
| Under-five mortality rate, per 1 000 live births | 90 | 114 | 128 | 109 | 30 |
| Prevalence of HIV, total % of population ages 15-49 | 11 | 21 | 25 | 26 | - |

Sources: Adapted from EC (2006, p.14), United Nations Statistics Division (2012) and (World Bank, 2013c).

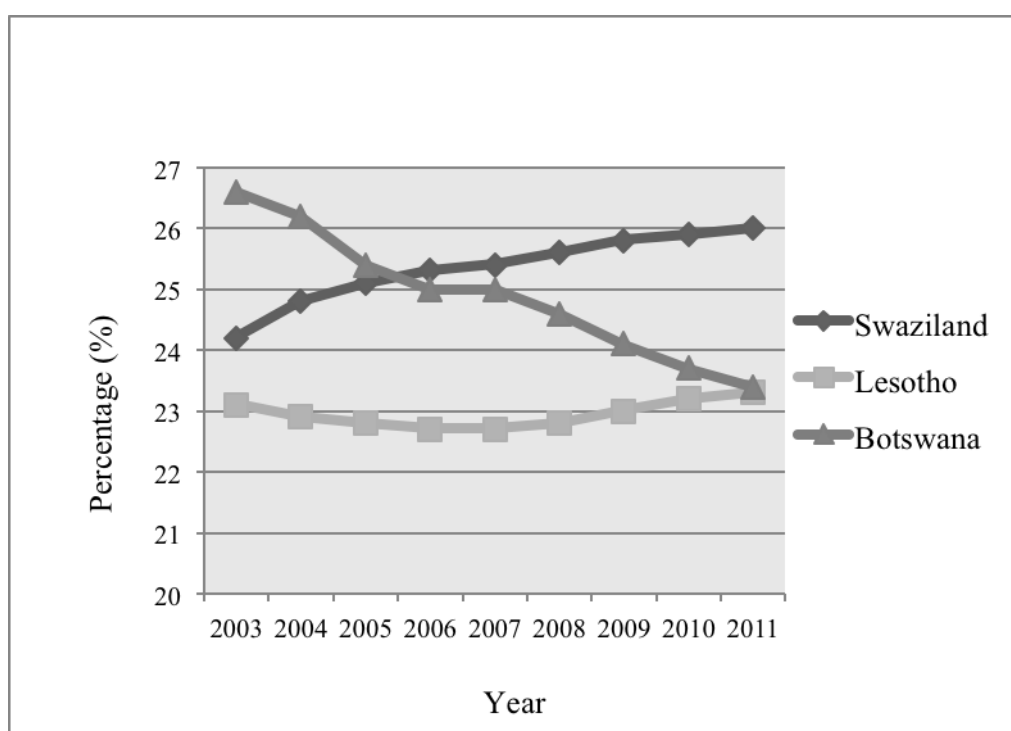
The population, estimated at 1,068 million in 2011, has remained almost unchanged in the last five years (AfDB, 2011, p. 7) despite a high annual birth rate of 29 births per 1000 people (World Bank, 2013c). This may be attributed to high mortality rates which include, but are not limited to, an infant mortality rate of 69 per 1.000 live births in 2011, 104 deaths per 1.000 for children under the age of 5 years (World Bank, 2013c), and an estimated 7.000 AIDS related deaths per year (AfDB, 2011, p. 7). High levels of poverty, the HIV/AIDS epidemic, and poor quality of education and training had adverse effects on the education system (AfDB, 2011, p 8).

Efforts to reduce poverty have been concentrated in food security, improving access to primary education and extending the reach of anti-HIV/AIDS programmes (European Commission, 2007, p. 10). According to the United Nations Statistics Division (2012), food insecurity has increased over the years: in 1995, 23 per cent of the Swazi population was undernourished; these figures increased considerably by 2010 with an

estimated 30 per cent of the population suffering from undernourishment (UNSTATS, 2013). As Swaziland continues to experience increased food prices, high inflation, a soaring unemployment rate of 44 per cent in 2011 (World Bank, 2013c), and high fuel prices, food insecurity will remain a problem (WFP, 2012). According to the World Food Programme (WFP) 2012 vulnerability assessment, 115.713 people were facing food deficits, compared to 88.511 people in 2011 (WFP, 2012).

Arguably the greatest socio-economic challenge facing Swaziland is the high burden of disease due to HIV/AIDS. Swaziland holds the highest number of people living with HIV/AIDS in the world, with a 2011 estimate of 26 per cent for ages 15-49, and a life expectancy of 49 years (World Bank, 2013c). In fact, the Southern Africa sub-region, in particular, experiences the most severe HIV epidemics in the world as it accounts for one third (34 per cent) of all the people living with HIV globally (UNICEF, 2009). Swaziland, Lesotho and Botswana stand among the highest HIV/AIDS infection rates in the region (UNICEF, 2009). HIV/AIDS is having a devastating social and economic impact on many households as incomes are lost and the number of orphans and vulnerable children continues to rise rapidly (EU, 2007, p. 11).

Fig. 4.2.: *Prevalence of HIV total, % of population ages 15-49: Swaziland, Lesotho, and Botswana*



Source: World Bank (2013c).

Swaziland's primary school completion rate stood at 77 per cent in 2011, and a secondary school enrolment percentage of 60 per cent during the same year (World Bank, 2013c). The major challenges faced by this sector are inadequate national resources for education, rising poverty levels, unemployment and high HIV/AIDS infection rates (GoS, 2009, p. 155).

4.4. The Political Landscape

One of the major political developments in Swaziland has been the adoption of the new Constitution which came into force in 2006 (GoS and European Commission, 2007, p. 6). The Constitution attempts to resolve the perplexity associated with a bi-cameral Westminster system with a customary system (AfDB, 2011, p. 2). Before the adoption of the 2005 Constitution, King Sobhuza II held executive, legislative and judicial powers issued to him by right of the 1973 Royal Proclamation, under which the Constitution was suspended and political parties banned. The supremacy of the 1973 Proclamation was reaffirmed in a decree issued by King Mswati III in 1992 (GoS and European Commission, 2002, p. 4). However, the new Constitution is said to bring an end the possibility of rule by decree (Gos and European Commission, 2006, p. 6).

The present system of government is characterised by a combination of customary law and Roman-Dutch law. The dual system of governance is further legitimised through the electoral system used, the *tinkhundla* (Kabemba et al., 2004, p. 1). The government is made up of a Cabinet of Ministers responsible to a two-chamber parliament. The King is the Head of State and is advised by the Prime Minister and the Swazi National Council, which is composed of twenty-four members appointed by the King, and other local government sub-systems, including traditional structures (Gos and European Commission, 2007, p. 3).

Over the decades many of SSA countries have emerged out of authoritarian regimes and embraced electoral democracy. As it stands, Swaziland is Africa's last executive monarchy, and unlike its neighbours Swaziland is the only country in the SADC that is not committed to multi-party elections (Kabemba et al., 2004, p. 3). Despite the new Constitution, political parties are still not allowed to participate in elections, as per the 1973 decree. The suppression of political oppositions was further legitimised in May

2008, when the Swazi Parliament passed the Suppression of Terrorism Act²⁴, which came into force in November 2008 (Amnesty International, 2009, p. 5).

Although the new Constitution allows for freedom of expression and freedom of assembly and association, no where does it make provision for political parties (Constitution of Swaziland, 2005). The *tinkhundla* system of governance is considered, by law, a democratic system. According to Kabemba et al. (2004, p. 12), “(t)he political impasse in Swaziland raises questions regarding the nature of democracy and whether or not a state could be regarded as democratic without political parties.” Swaziland’s *tinkhundla* system of governance allows for the election of parliamentary representatives from specific constituencies through a three-stage election system creating a bicameral election system composed of the House of Assembly and the House of Senate (Kabemba et al., 2004, p. 7). The exclusion of political parties is the basis of the *tinkhundla* system as parliamentarians are elected instead. Fifty-five members of the House of Assembly are elected by fifty-five constituencies or *tinkhundla* (*inkhundla* for singular), into which the country is divided for electoral and other administrative purposes. The King then appoints an additional ten members of the House of Assembly (EU, 2007, p. 3). The Senate is comprised of thirty members, ten being appointed by the King and twenty selected by the House of Assembly (Kabemba et al., 2004, p. 8).

The government of Swaziland stands by the *tinkhundla* system as being a democratic system of representative governance from a grassroots level. However, it is through this *tinkhundla* system that the monarch has absolute power over the executive and legislative arms of government, as it is the King who appoints the prime minister, who then appoints the cabinet, which is subject to the King’s approval (Kabemba et al., 2004, p. 8). Trade unions and civil society groups have been highly critical in expressing their discontent about the suppression of political pluralism in Swaziland (AfDB, 2011, p. 2).

²⁴ The Suppression of Terrorism Act was rapidly implemented. The bill was tabled in the parliament with a certificate of urgency, and as a result it did not follow the routine procedure of publication in the government gazette for 30 days to allow for public commentary (Amnesty International, 2009, p. 5). This hurried process is said to be in connection with the attempt to blow up a bridge leading to the royal residence. This incident further intensified the tension between the government and political parties. The Suppression of Terrorism Act was used to declare a number of groups ‘terrorist organisations’, in particular political parties (EISA, 2008b).

There has been particular dissatisfaction with the lack of checks and balances in the governance system in which the corrupt elite run rampant. There have been continuous calls for reform at making the government more accountable and efficient in the use of resources. This is translated in the governments 1999-2022 National Development Strategy (NDS) and the Economic Recovery Strategy (ERS) (AfDB, 2011, p. 2). According to Kabemba et al. (2004, p. 17), “(t)he quality of a political system is judged on its ability to contribute to good governance, security, prosperity and other social good.”

In Swaziland, views on governance are divided between the traditionalists and the reformists. The traditionalists are strong advocates of the status quo. They state, that in contrast with other countries in the region, Swaziland has been more successful as it is a middle-income country where per capita income and economic growth rates have historically outperformed others (Kabemba et al., 2004, p. 17). Reformists, both domestic and international, are against the current political status quo. According to the AfDB (2005, p. 3), “Swaziland faces a serious of governance challenges, especially in areas of institutional reforms and capacity of the state to respond to social challenges, democracy and rule of law.”

Current development thinking has placed immense importance on the improvement of systems of governance as one of the essential ingredients for sustainable, long-term growth. These include, according to Kabbaj (2003, p. 54),

(e)stablishing systems of good governance, namely greater accountability, transparency, and greater participation in government and corporate affairs, promoting legal and judicial reforms, and combating corruption. It also includes civil service reforms, reduction in unproductive government spending – such as military expenditure – and redirecting government investment towards primary health and education, as these form the bedrock for growth.

According to the Worldwide Governance Indicators, Swaziland was ranked among the lowest countries for indicators such as ‘voice and accountability’ and ‘government effectiveness’. While indicators such as ‘control of corruption’ and ‘rule of law’ were Swaziland’s highest, receiving a 2011 ranking of 50,2 for the former and 42,3 out of 100 for the latter. These indicators and others are illustrated in table 4.4, below.

Table 4.4: *Ranking of Swaziland According to the Worldwide Governance Indicators*

| Governance Indicator²⁵ | Sources | Year | Percentile Rank (0-100) | Governance Score (-2.5 to +2.5) | Standard Deviation |
|--|----------------|-------------|--------------------------------|--|---------------------------|
| <u>Voice and Accountability</u> | 9 | 2011 | 12.7 | -1.25 | 0.13 |
| | 8 | 2006 | 15.5 | -1.8 | 0.14 |
| | 5 | 2002 | 11.5 | -1.32 | 0.23 |
| <u>Political Stability/Absence of Violence</u> | 5 | 2011 | 30.7 | -0.47 | 0.27 |
| | 3 | 2006 | 35.1 | -0.30 | 0.32 |
| | 2 | 2002 | 44.7 | +0.01 | 0.45 |
| <u>Government Effectiveness</u> | 6 | 2011 | 28.4 | -0.69 | 0.21 |
| | 5 | 2006 | 21.5 | -0.84 | 0.23 |
| | 3 | 2002 | 32.2 | -0.58 | 0.27 |
| <u>Regulatory Quality</u> | 7 | 2011 | 28.4 | -0.64 | 0.19 |
| | 6 | 2006 | 30.4 | -0.57 | 0.21 |
| | 4 | 2002 | 44.6 | -0.21 | 0.28 |
| <u>Rule of Law</u> | 10 | 2011 | 42.3 | -4.42 | 0.14 |
| | 8 | 2006 | 28.7 | -0.68 | 0.18 |
| | 5 | 2002 | 30.6 | -0.67 | 0.24 |
| <u>Control of Corruption</u> | 7 | 2011 | 50.2 | -0.27 | 0.21 |
| | 6 | 2006 | 47.8 | -0.29 | 0.23 |
| | 3 | 2002 | 45.9 | -0.32 | 0.34 |

Source: Kaufmann and Mastruzzi (2010).

²⁵**Voice and accountability** captures the perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and freedom of media. **Political Stability** measures perceptions of the likelihood that the government will be destabilised or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism. **Government effectiveness** captures perceptions of the quality of public services, the quality of civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitments to such policies. **Regulatory quality** captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. **Rule of Law** captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. **Control of corruption** captures the perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as the capture of the state by elites and private interests. (Kaufmann et al., 2010), available at <<http://info.worldbank.org/governance/wgi/resources.htm>> (accessed 27/06/2013).

Conclusion

Swaziland's economic growth rate remains one of the lowest in SSA, with an average growth rate of 2 per cent. This sluggish growth rate, coupled with high poverty levels, and the highest HIV infection rate in the world, have threatened the country's development benefits, and have become Swaziland's greatest social-economic obstacle during the 21st century. From the onset of Swaziland's status as a British protectorate in 1881, Swaziland's economy has been intrinsically linked to, and dependent on, South Africa. This dependency status is ever more present in recent years as Swaziland continues to depend on SACU revenues (over 50 percent of Swaziland's total revenue). Under the CMA the lilangeni is pegged at par to the rand, which further entrenches economic dependency on South Africa and limits Swaziland's ability to influence macroeconomic policy. Swaziland's political landscape has been characterised by tension since the independence in 1968, and in particular the issuing of the 1973 decree which banned political parties and vested all executive, judicial, and legislative authority to the King. The 2005 Constitution sought to address these political tensions by putting an end to rule by decree, and providing a new political framework. Although some progress has been made in some areas, political parties remain banned and the Constitution has been criticised for maintaining the status quo.

V. Towards a Greater Ownership of Development Policies and Strategies: the case of Swaziland

Introduction

This chapter aims at assessing the processes and commitments made by the GoS in taking leadership over its development agenda, in particular the primary goal of poverty reduction. Section 5.1 briefly introduces the strategies taken by the GoS to reduce poverty and discusses the multi-dimensional nature of poverty in Swaziland. In accordance with the principles of ownership set out in the Paris Declaration, section 5.2 aims at assessing Swaziland's ownership over development priorities and strategies. The last section (5.3) primarily focus on the efforts made by the GoS and its development partners in achieving the goals of poverty reduction and the progress made in implementing the principles set out in the Paris Declaration.

5.1. Attacking Poverty in Swaziland

According to the World Bank's *World Development Report 2000/2001: Attacking Poverty*, the nature and evolution of poverty has come to encompass "(...) not only education and health as a concern in their own right, but they merit special attention when they accompany material deprivation." (World Bank, 2001, p. 15) As stated in the Paris Declaration and the Accra Agenda, a country's ownership over development strategies and policies – in the form of PRSPs – is the key ingredient for aid effectiveness. Swaziland's development agenda has been guided by the NDS for the period 1997-2022, which provides a long-term development framework within which short and medium-term development plans will be formulated (GoS, 1999a, p. 1). The NDS is the country's overall vision for developments which, according to the GoS (1999a, p. 1), "(...) by the year 2022, the Kingdom of Swaziland will be in the top 10% of the medium human development countries founded on sustainable economic development, social justice and political stability."

Consequently, the 2005 PRSAP was developed in order to operationalise the poverty reduction vision of the NDS (GoS, 2005b, p. 13). More recently Swaziland's policy architecture has expanded to address emerging development challenges, particularly those of an economic nature. This new architecture includes the 2010 Fiscal Adjustment

Roadmap (FAR), and the 2011 Economic Recovery Strategy (ERS). According to the GoS (2013, p. 15) the FAR and the ERS were developed for the following purposes:

(t)he FAR was developed in order to respond to a reduced resource envelope, following an unprecedented decline in SACU revenue. The FAR focuses on domestic revenue enhancement, expenditure rationalisation and debt management (...). The ERS was prepared by the Ministry of Economic Planning and Development to support the removal of long standing impediments to economic activity which have contributed to sluggish economic growth over the past decade.

Considering international and national efforts towards poverty reduction, it is important to understand the nature of poverty in Swaziland in order to examine poverty reduction policies and strategies of the GoS. It is important to note that there is no single concept of poverty or an international consensus on the guidelines for measuring poverty. Poverty is a construction of specific societies. Furthermore, different groups within a society may construct it in different ways, resulting in a highly contested definition of poverty. According to Lister (2004, p. 3) poverty

(...) is highly contested. Concepts of poverty have practical effects. They carry implicit explanations which, in turn, underpin policy prescriptions. The emphasis placed upon socio-economic structural conditions, power relationships, culture and individual behaviour varies. The policies developed to tackle poverty reflect dominant conceptualizations.

Swaziland's PRASP measures poverty in terms of income poverty (GoS, 2005b, p. 19). This is concerned, on the one hand, with a person's material resources, especially income, and, on the other hand, with actual outcomes in terms of living standards and activities (Lister, 2004, p. 14). The Swaziland Household Income and Expenditure Survey (SHIES) – conducted in 1995, 2001, and 2009 – makes a distinction between poor and non-poor based on two poverty lines. The lower poverty line measures the income required to purchase food that yields 2200 calories per capita per day (GoS, 2005b, p. 19). The upper poverty line measures the necessary income to buy food requirements in addition to an allowance for essential non-food expenditures such as basic clothing, heating and lighting (GoS, 2005b, p. 19). The lower or extreme poverty line was established at E215.00 per capita per month in 2010, and accounts for an estimated 29 per cent of people living in poverty. The upper poverty line was established at E461.00 per capita per month in 2010, and accounts for 69 per cent of the population (GoS, 2011a, pp. 7-11).

Poverty in Swaziland is influenced by a strong rural dimension, although it should not be overlooked in urban areas too. According to the 2009/2010 SHIES report, urban poverty accounted for 31 per cent while rural poverty accounted for a staggering 71 per

cent of poverty in Swaziland (GoS, 2011a, p. 10). Not only does rural Swaziland holds the majority of people living in poverty, but it is also where an estimated 75 per cent of the population lives in (GoS, 2011a, p. 11), of which a large portion depends on subsistence economy/or disguised unemployment for income (GoS, 2005b, p. 22). Faced with dwindling employment opportunities, and a 40 per cent unemployment rate, many poor Swazis generate their income from self-employment usually through the informal sector (GoS, 2005b, p. 20). The informal sector provides a source of income for street vendors who sell fruits and used clothes (most of which are women), hair cutters working under trees in city parks, and boys washing cars at stream beds, just to name a few (IRIN, 2002). Among those employed by the formal sector, a substantial number are seasonally employed and 62 per cent of the seasonally employed continue to live under the poverty line (Gos, 2005b, p. 20).

Swaziland's classification as a lower-middle income country with a GNI of US\$ 3.470 per capita (World Bank, 2013a) distorts the reality of the highly skewed income distribution within the country, which severely counteracts economic expansion and further perpetuates poverty (GoS, 2005b, p. 21). In 2010 the income share held by the highest 10 per cent of the population was at 41,1 per cent of the total, and the income share held by the highest 20 per cent sat at a staggering 56 per cent (World Bank, 2013c). Consequently, in 2010 the income share held by the lowest 10 per cent of the population sat at a meagre 1,7 per cent, and the income share held by the lowest 20 per cent during the same year was 4,1 per cent (World Bank, 2013c). According to the GoS (2005b, p. 21) "(...) differences in income distribution are historically structural and a result of non-corrective *laissez-faire* policies that bypass the poor." Although it is widely known that one of the central necessities for the success of poverty reduction is national economic development, according to the World Bank (2001, p. 37)

(...) poverty is an outcome of more than economic processes. It is an outcome of economic, social and political processes that interact with and reinforce each other in ways that can worsen or ease the deprivation poor people face every day.

The social dimensions of poverty in Swaziland are characterised by their relation to education and health standards, access to safe water and sanitation, and family size (GoS, 2005b, p. 21). There is also a strong correlation between gender and poverty. According to the 2011 SHIES report, in 2009/2010 67 per cent of female headed household were living in poverty in comparison to 59 per cent in male headed

households (GoS, 2011a, p. 14). The World Development Report 2000/2001 (World Bank, 2001, p. 10) states that “(g)reater gender equity is desirable in its own right and for its instrumental social and economic benefits for poverty reduction.” The promotion of gender equality has been stated as one of Swaziland’s development strategies and priorities in both the NDS (GoS, 1999, p. 26) and the PRASP (GoS, 2005b, p. 22).

The 2001 SHIES report also makes reference to the strong relationship between education and poverty in Swaziland. The prevalence of poverty among illiterate people is at 71 per cent in comparison to 30 per cent among households headed by people with a primary school education (GoS 2005b, p. 22). Issues of health, in particular the HIV/AIDS pandemic, are at the forefront of Swaziland’s development priorities and strategies. In 2011 Swaziland’s total life expectancy stood at 49 years, and the HIV/AIDS prevalence between 15 and 49 years stood at 26 per cent (World Bank, 2013c). This leaves the country highly vulnerable, as the age groups most affected by HIV/AIDS are those in the working age population. Together with the decline in economic growth, the impact of HIV/AIDS on the economy of Swaziland is set to reverse many of development achievements (GoS, 2005b, p. 24).

Poverty in Swaziland can be attributed to economic and social processes, but what are the causes? Swaziland’s PRASP links the high prevalence of poverty to a variety of structural factors. In consultation with those most affected by poverty the PRASP touches on the following causes of poverty (GoS, 2005b, p. 24):

(t)he Tinkhundla consultations were chronic drought accompanied by crop failure, death of domestic animals, and lack of drinking water; lack of adequate agricultural land; isolation from mainstream markets and information sources; limited options for diversification of opportunities for income generation; and lack of competitive skills acquired through education. For women, tradition accords them minority status that denies them access to assets and productive resources. These factors trap the poor into poverty and militate against recovery.

5.2 Assessing Swaziland’s Ownership over Development Priorities and Strategies

“[p]artner countries commit to: exercise leadership in developing and implementing their national development strategies through broad consultative process.” (OECD, 2005a, p. 3)

Within the NDS there are seven key macro strategic areas which will assist in achieving the overall approach to poverty reduction: sound economic management; economic empowerment; human resource development; agricultural development;

industrialisation; research for development; and environmental management (GoS, 1997, pp. 2-3). The PRASP frames the development agenda under six interlinked key pillars that outline the strategic components for classifying certain policies, activities and projects into a sound framework for reducing poverty. The six pillars will be listed, and in accordance with the overall goal of the dissertation, each pillar will be briefly described by listing some of its strategies. According to the PRASP (GoS, 2005b, pp. 26-32) the six pillars are:

1. **Macroeconomic stability:** some of the strategies under this pillar are: (i) macroeconomic stability and good governance, (ii) maintaining fiscal discipline and prioritising public expenditure, (iii) redesigning a tax system conducive to investment and growth, (iv) investing in human capital to support economic growth, and (v) integrating participatory planning approaches to empower poor people.
2. **Empowering the poor to generate income and reduce inequalities:** some of the strategies to be followed under this pillar are: (i) maintaining fiscal discipline and prioritising public expenditure, (ii) redesigning a tax system conducive to investment and growth; (iii) investing in human capital to support economic growth, and (iv) integrating participatory planning approaches to empower poor people.
3. **Rapid acceleration of economic growth based on broad participation:** some of the measures to empower the poor to generate income and reduce inequality are: (i) promotion of irrigation on SNL to guarantee regular agricultural production, (ii) promotion of rural production, including support to high value crops through appropriate pricing and marketing improvements.
4. **Fair distribution of the benefits of growth through fiscal policy:** some of the strategic measures are: (i) reorientation of public expenditure towards financing basic social services, such as basic education, primary health care, reducing HIV/AIDS infections, provision for safe water services etc, (ii) redesigning the current tax system to make it more progressive, and (iii) decentralising the budgeting process to increase grass-roots participation decision-making.
5. **Improving the quality of life of the poor:** some of the strategies to achieve this goal are: (i) to introduce universal and compulsory primary education, (ii) shifting a largest share of public expenditure to basic education, (iii) halting the

spread of HIV/AIDS by scaling up measures for prevention, new infections and expanding Voluntary Counselling and Testing (VCT) centres and the Availability of Anti Retro Viral (ARVs).

6. **Improve good governance and strengthen institutions:** strengthening governance will include: (i) enhancing constitutional governance; (ii) decentralised governance; (iii) promoting participation of local communities in the planning and implementation process; and (iv) upholding the rule of law and the protection of human rights.

Both the Paris Declaration and the Accra Agenda stress the importance of an open and inclusive dialogue on development policies. According to the OECD (2008, p. 17), ensuring ownership of the development processes will require developing country governments to “(...) work more closely with parliaments and local authorities in preparing, implementing and monitoring national development policies and plans. They will also engage with civil society organisations.”

The participatory process involved during the compilation of the NDS began with the collection of views from the general public, which was accomplished through the appointment of an Economic Review Commission (ERC). In 1995, the ERC compiled a report that was the first phase of the NDS. Eight sector committees were then charged with the responsibility to give an in-depth analysis of specific areas (GoS, 1999a, p. 1). The formulation of the PRASP involved an intensive consultative process by the Poverty Reduction Strategy Task Force MEPSD. The Task Force consulted with a variety of stakeholders at a *Tinkhundla* level such as the poor, government officers, NGOs, chiefs, Members of Parliament, the donor community, private sector and other groupings (GoS, 2005b, p. 13).

Promoting the participation of local communities in the planning and implementation process is an important aspect of the PRASP and NDS goals towards poverty reduction. Accordingly, the 2009 *Tinkhundla* and Regional Administration Bill makes provisions for a decentralised, community based approach towards the formulation of development policies and plans (GoS, 2009a, p. 7). The Bill outlines the powers of local authorities within each region. According to the Regional Administration Bill section 20 (3), (GoS, 2009a, p. 13) one of the general duties of local authorities is to “(...) plan, initiate and execute policies, taking into account national policies and development plans.”

Accordingly, the Bill also makes provision for the establishment of Regional Development Communities (GoS (2009a, p. 31). According to Part IX section 68 of the Bill, “[t]here is established in each Region a Regional Development Committee, which shall give technical advice on development issues.” Regional Development Committees consist of the Regional Director (chairman), Regional Heads of public sector departments, all heads of Parastatals in the region, a representative of the Coordinating Assembly for Non-Governmental Organisations (CANGO), and a representative of community based organisations in the region (GoS, 2009a, p. 31) This enables the GoS to work closely with local authorities in preparing national development policies and plans. An interviewee (Melusi Masuku, Under Secretary of the Political Department) explained the procedure used by the GoS to engage with its citizens in the policy formulation process (see appendix 2):

(t)he formulation of policies is done through vigorous consultations with regional administrators. It is through the tinkhundla centres where issues of national concern are addressed, and the process of addressing these issues begins with addressing local authorities/local administration. The issues are then brought forward to the regional administrators, who delegate regional secretaries who are then tasked with the responsibility of setting up consultations with the local chiefs of that particular inkhundla. The chiefs will then allow the stakeholders to address their constituents this process applies to all 55 tinkhundla/constituencies.²⁶

The approach taken by the GoS in developing its NDS, PRASP and policies has been through consultations with a broad spectrum of organisations, including the parliament, civil society, traditional leaders and the private sector. However, this approach is purely consultative. As such, involved parties – CSOs, parliamentarians, private sector actors – are not involved in the entire policy cycle from planning to implementation, nor to monitoring and evaluation. To this effect, the GoS has acknowledged that the monitoring and the subsequent reporting on the implementation of development strategies have not been very effective outside the Cabinet. According to the OECD (2011c, p. 3) this has brought “(...) concerns about the weak transition from planning into implementing Swaziland’s development strategies”, and that “(...) the country needs to put in place appropriate coordination mechanisms to ensure it exercises effective leadership.”

²⁶Remember (see chapter 4) that an *inkhundla* is singular and *tinkhundla* is plural and represents all 55 constituencies, and that each region consists of a number of constituencies.

5.2.1. Incorporating Poverty Reduction into Strategic Action

“[p]artner countries commit to: translate these national development strategies into prioritised results-oriented operational programmes as expressed in medium-term expenditure frameworks and annual budgets.” (OECD, 2005a, p. 3)

At the core of Swaziland's development agenda is the serious need to address the issue of poverty reduction. However the country's overall economic performance on the period 2004-2012 has placed serious strains on budget and policy direction. According to the National Development Plan 2009/10-2011/12 (GoS, 2009b, p. 72),

(...) due to the deepening of the country's poverty profile, as well as the rise in numerous needs competing for the limited public resources, the drive towards prudent fiscal management was relaxed. Moreover, the rising and unsustainable salary inflation could see the Government not reaching her policy target of a balanced budget. Presently wages account for over 53 percent of recurrent expenditure compared to the 35 percent policy target.

Table 5.1: Social and Economic Sector Budget Allocation 2004/05-2008/09

| | (E Million) | | | | | |
|--|-------------|---------|---------|---------|-----------------------|----------------------|
| | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 ²⁷ | Annual Average share |
| Total Revenue and Grants | 5,027.1 | 5,389.7 | 8,020.7 | 8,095.9 | 9,311.0 | |
| Personnel | 2,155.5 | 2,443.0 | 2,588.7 | 2,756.3 | 9,923.7 | 40.2% |
| Education | 1,316.5 | 1,280.1 | 1,471.8 | 1,594.4 | 1,821.1 | 22% |
| Health | 443.5 | 509.7 | 621.3 | 763.9 | 837.7 | 9.2% |
| Social Protection | 107.5 | 140.7 | 187.8 | 310.8 | 354.6 | 3.1% |
| Housing and Amenities | 206.4 | 247.2 | 75.2 | 222.1 | 280.2 | 3% |
| Water Resource Management | 216.9 | 228.9 | 119.3 | 453.5 | 423.9 | 4.1% |
| Agriculture, forestry and Fishery | 265.8 | 216.4 | 494.4 | 348.8 | 510.9 | 5.3% |
| Mining, Manufacturing and construction | 100.6 | 103.8 | 36.1 | 35.4 | 88.6 | 1.1% |
| Commerce and Trade | 23.8 | 25.2 | 158.6 | 129.0 | 272.8 | 1.6% |
| Transport and Communications | 491.4 | 578.9 | 824.1 | 661.3 | 1058.1 | 10.4% |
| Energy and Fuel | 16.9 | 17.3 | 19.4 | 23.1 | 35.4 | 0.3% |

Source: GoS (2009b, p. 26)

²⁷ The year 2008/09 reflects the estimated budget outturn at the time. It has proven to be difficult to access a more updated version of expenditure figures.

Faced with an unfavourable fiscal climate, the GoS budget per sector –in particular the social sector –has been limited and the composition of spending does not place social agenda as a high priority area, as table 5.1 (above) illustrates.

5.2.2. Designing a Budget in Support of Development Priorities

Swaziland's current fiscal position is in need of improvement. A temporary remedy has come in the form of an increased SACU envelope, which has boosted Swaziland's public revenue for the 2012/13 fiscal year. However fiscal imbalances are still present as expenditure continues to run high (Basdevant et al., 2013, p. 15). Swaziland's vulnerable fiscal position and high government expenditure is one of the major impediments towards the realisation of the NDS. Another major challenges faced with regard to the low operationality of Swaziland's NDS is that policy-makers rarely use the NDS as a reference for linking sector strategies and formulating budget priorities (OECD, 2011c, p. 3). For example, in the 2007/2008 fiscal year Swaziland's GDP stood at E8.095,9 millions, of that E 2.756,3 million (34 per cent of GDP) were used for personnel wages, E1.594,4 million were allocated to the education sector, E763,9 millions to the health sector, E348,8 millions to agriculture, forestry and fisheries, and E129,0 millions to commerce and trade (GoS, 2009b, pp. 23-26). The increasingly high wage bill has placed limitations on the development of both the health and education sectors, and has created very little space for the government to promote a robust private sector. The lack of correspondence between the NDS and expenditure is a reason of concern. According to the OECD (2012, p. 3) this strategic disconnection can be described as follows:

(t)he strategic link to the budget is weak, and considering the lack of costing in the strategy, there are vague linkages between the NDS and the medium-term fiscal framework (MTFF)/budget process, as well as between sector strategies and the medium-term expenditure framework (MTEF). There is only minimal evidence of performance orientation in the budget.

As a result of the fiscal climate there has been low access to key healthcare and education services – which resulted in a higher school dropout rate – leaving many poor Swazis in a worsened state (Basdevant et al., 2013, p. 15). Another case for concern is that in 2011/12 social spending was much lower than budgeted by about E 500 millions, and several investment projects with poverty-alleviating components (i.e., school extensions) were stopped, while other investment projects (i.e., the construction of the

new Sikhupe airport²⁸) were given priority (Basdevant et al., 2013, p. 15). This inadequate strategic link to the budgetary process and development priorities also has adverse effects on Swaziland's ability to achieve the MDGs, in particular the goals by the target year of 2015. Although the MDG's have been prioritised in the NDS and the PRASP on a variety of cross-cutting themes, they do not appear to be well integrated or mainstreamed, and the mechanisms for achieving these targets have not been well developed (OECD, 2011c, p. 3.).

An interviewee classified Swaziland's budgetary weakness under three categories: weak budget planning and formulation; weak budget execution; and inadequate budget oversight. Here are just some of the weaknesses highlighted under each category by the interviewee Deepak Sardiwal, an economist at the MEPD (see appendix 2):

- i. **Weak budget planning and formulation:** budget planning and formulation remains inadequate because of the absence of a medium-term perspective in budget formulation; of inadequate availability and usage of statistical data for evidence-based planning and budgeting; and lack of a policy-orientated, output-focused and performance-based orientation to the budget associated with a lack of accountability and transparency with regard to public spending.
- ii. **Weak budget execution:** budget execution remains inadequate due to limitations in the current Integral Financial Management Information System such that not all commitments are captured in the system; unclear long-term debt management and financing strategies; and outdated regulations and instructions on public financial management.
- iii. **Inadequate budget oversight:** oversight of budget implementation remains inadequate and this weakens accountability arrangements and possibilities for corrective measures to be taken. The main reasons for weak budget oversight include: the inadequate capacity of bodies/institutions that exercise a public financial management oversight function.

The GoS lacks of expenditure controls, which is in part due to the weakness of PFM systems, and partly due to the lack of political and social consensus on the reforms to be

²⁸Interestingly, in 2010 the GoS halved many capital commitments to offset the impact of lower SACU revenue. During that same year a supplementary budget was issued to regularise capital expenditure overruns of about E350 million for the Sikhupe airport project, which further deepened the fiscal crisis (Mongardini, et al., 2011, p. 5).

implemented (Basdevant et al., 2013, p. 13). The composition of spending also needs to be re-oriented towards social priorities and poverty issues. Social sector prioritisation, such as improving health outcomes, is not limited to improvements in welfare but also increases income-earning potential. While increasing education not only improves welfare, it may also lead to better health outcomes and higher incomes (World Bank, 2001, p. 15). Social sector prioritisation can also help stimulate investment in human capital, which is one of the goals set out in the PRASP. This is of particular importance to Swaziland as the country continues to face considerable pressures in the development of human capital as it holds the highest HIV/AIDS prevalence in the world, and access to healthcare and education have been reduced during the current fiscal crisis (Basdevant et al., 2013, p. 23).

The GoS has taken measures and reforms to deal with the challenges of the fiscal crisis through the FAR and the ERS. The FAR, in particular, aims at bringing the country's fiscal position to sustainable levels through revenue enhancement and better expenditure control, particularly the large wage bill, and at creating space for the government's commitment to increase spending in the healthcare and education sectors (AfDB, 2011, p. 13). The FAR and the ERS have contributed to the successful establishment and full operationalisation of the Swaziland Revenue Authority (SRA) in 2011, the enactment of an improved Procurement Act in 2011, and the introduction of Value Added Tax (VAT) in 2012 (GoS, 2013, p. 15). The FAR played a particularly important role in the establishment of the SRA, which has achieved one of the PRASP goals of "redesigning a tax system conducive to investment and growth" through the introduction of VAT (GoS, 2005b, p. 26). The FAR has fallen short as it has failed to set targets on poverty alleviation spending, notably health and education. In addition, according to Basdevant et al. (2013, p. 24), "(t)he FAR does not provide an adequate framework to strengthen expenditure controls."

5.3. Towards Aid Effectiveness in Swaziland

"[p]artner countries are committed to: take the lead in co-ordinating aid at all levels in conjunction with other development resources in dialogue with donors and encouraging the participation of civil society and the private sector" (OECD, 2005a, p. 3)

In 1997, the GoS developed an aid policy which provides the framework for management of external assistance, aiming to channel external assistance towards

activities with a maximum impact on national development (GoS, 1999b, p. 2). The responsibilities for aid coordination and management are ascribed to the line ministries: MEPD, Ministry of Finance, Ministry of Public Service, and the Ministry of Foreign Affairs and International Cooperation. Aid policy also provides for an External Assistance Committee (EAC) which functions as a steering committee on technical issues that are multi-sectoral or cross-ministerial in nature. The EAC is made up of principal secretaries/or delegated senior officials from the line ministries (GoS, 1999b, pp. 3-10). The MEPD is tasked with the management and coordination of ODA. This is done through the Aid Coordination Management Section (ACMS) (GoS, 2011b, p. 12). In spite of its function as an aid management and coordinating body, the ACMS has experienced challenges in fulfilling its mandate, which include (GoS, 2011b, p. 13)

(...) fragmented efforts in resource mobilisation, the line ministries initiate and conclude resource mobilisation without involving the ACMS, some donors give aid to Swaziland without liaising with the ACMS, poor coordination and the fact that there is no holistic picture of how much aid is received by the Kingdom and no system to properly monitor commitments and disbursements of ODA.

During the Aid Effectiveness Retreat with development partners on the 27th to the 28th October 2011, development partners/donors raised the following concerns about Swaziland's aid policy:

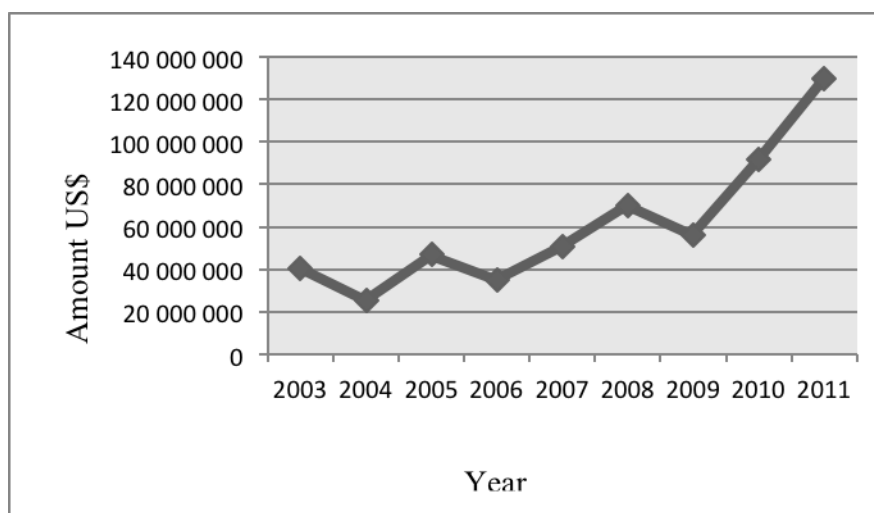
- i. Aid policy tends to be grant and project orientated and does not present guidelines on preferred aid modalities, or on donor's coordination mechanisms. The policy also lacks ownership beyond the MEPD;
- ii. Aid policy needs to be reviewed to be consistent with the Paris Declaration principles and objectives, and it also needs to outline mechanisms towards more effective development assistance management (GoS, 2011b, p. 14).

5.3.1. Official Development Assistance to Swaziland

ODA plays a very important role in supporting national efforts to reduce poverty in developing countries, as it supplements local sources of financing and stimulates domestic investment. Like many developing countries, Swaziland relies on ODA to assist the country on poverty reduction objectives, and during the financial year 2011/2012 Swaziland was the recipient of an estimated US\$ 132,9 million in ODA (GoS, 2013, p. 22). In regional terms, the donor's presence in Swaziland has been somewhat weaker than in other countries (Kabemba et al., 2004, p. 33). As illustrated

by fig 5.1, ODA to Swaziland has been reflectively low. However, from the year 2010 onwards the country witnessed a dramatic increase in ODA.

Fig. 5.1: *Swaziland: Net Official Development Assistance Received*



Source: World Bank (2013c)

It should be noted that measuring ODA in Swaziland is also somewhat problematic due to the lack of readily available data. Swaziland's ability to capture ODA and aid flows is limited to aid directed to the GoS and also that which is directed to Parastatals and NGOs through the government (GoS, 2010b, p. 72). Adding to this problem is the government's inability to effectively record donors' commitments and disbursements. This is, in part, due to the lack of an effective management information system. Furthermore, ODA is rarely captured in the national budget (GoS, 2011b, p. 4). The absence of a system to record ODA to Swaziland makes it difficult to verify the amount of aid disbursed, and whether the amounts that are being recorded are disbursements or commitments. Nonetheless, the GoS has made efforts to coordinate and manage aid by the MEPD through the ACMS (GoS, 2013, p. 16). The ACMS, in collaboration with multilateral and bilateral development partners, which include the African Development, the Arab Bank for Economic Development in Africa (BADEA), the European Union, the Global Fund, Japan, Republic of China (Taiwan), United Nations, United States and the World Bank, provided the total volume of ODA disbursed to

Swaziland in the financial year 2011/2012²⁹, as illustrated in table 5.1³⁰ (GoS, 2013, p.22).

Table 5.2: Official Development Aid to Swaziland 2011/2012

| Development Partner | ODA (US\$) | ODA provided as grants (%) |
|---|-------------------|-----------------------------------|
| African Development Bank | 9,074,858 | 26.3 |
| BADEA | 2,530,048 | 0 |
| European Union | 19,122,559 | 100 |
| Global Fund | 16,079,855 | 100 |
| Japan (JICA) | 17,784,702 | 100 |
| Republic of China (Taiwan) | 22,267,169 | 100 |
| United Nations (FAO, IFAD, UNDP, UNFPA, UNICEF, WFP) | 16,756,388 | 90.7 |
| United States (PEPFAR) | 29,201,667 | 100 |
| World Bank | 131,047 | 48.7 |
| Total | 132,948,293 | 91.8 |

Source: GoS (2013, pp. 22-24).

5.3.2. Development Partners in Swaziland

The Paris Declaration states that donors need to commit to “[b]ase their overall support on partners’ national development strategies”, and that donors should “[l]ink funding to a single framework of conditions and/or a manageable set of indicators derived from the national development strategy.” (OECD, 2005a, p. 3) The EU is one of Swaziland’s largest development partners. The Cotonou Agreement provides the legal basis for EU cooperation with ACP countries, with the priority of promoting the development of a common strategic approach to poverty reduction by taking into account the fundamental principles set out in Article 2 of the Cotonou Agreement, in particular the encouragement of ownership of the development strategy (GoS and European Commission, 2007, pp. 1-2). Cooperation between the EU and the Swaziland is

²⁹ The Swazi fiscal year runs from the 1st. April to the 31st. March.

³⁰ The information presented on the abovementioned tables does not capture the total amount of ODA to Swaziland, and therefore does not serve as an accurate representation of aid flows between Swaziland and all its donors. Other development partners, such as Kuwait, and the European Investment Bank, also provide external assistance to Swaziland, however the support is not channelled through or coordinated and monitored by the CMS (GoS, 2013, p. 21).

approached through a Joint Country Strategy Paper and a National Indicative Programme. It is through this framework that resources are allocated in support of poverty reduction strategies and policies. The EU provides grant assistance to Swaziland through the European Development Fund (EDF), the Development Cooperation Instrument, and loan financing through the European Investment Bank and technical assistance (GoS, 2011b, p. 9).

The UN agencies (which include the United Nations Development Programme (UNDP), the United Nations Children Fund (UNICEF), the World Health Organisation (WHO), the United Nations Educational, Scientific, and Cultural Organisation (UNESCO), the Joint United Nations Programme on HIV/AIDS (UNAIDS), the World Food Programme (WFP), Food and Agriculture Organisation (FAO), and the International Fund for Agricultural Development (IFAD)) undertake development interventions in Swaziland through the guidance of the United Nations Development Assistance Framework (UNDAF). The UNDAF is aligned with Swaziland's national development priorities and allows for resource planning which drives the programmes under which the UN system supports Swaziland (UNDG, 2011, p. 3).

The World Bank provides some grant assistance for programme development, but predominantly provides loan financing through the IBRD, the International Finance Corporation (IFC), the International Development Association and technical assistance (GoS, 2011b, p. 9). The African Development Bank (AfDB) provides some grant assistance for programme development, but predominantly provides loan financing and technical assistance (GoS, 2011b, p. 9). The AfDB assists in addressing the development challenges through the Country Strategy Paper, which is based on the GoS development agenda as specified in the NDS and the PRASP (AfDB, 2011, p. 11).

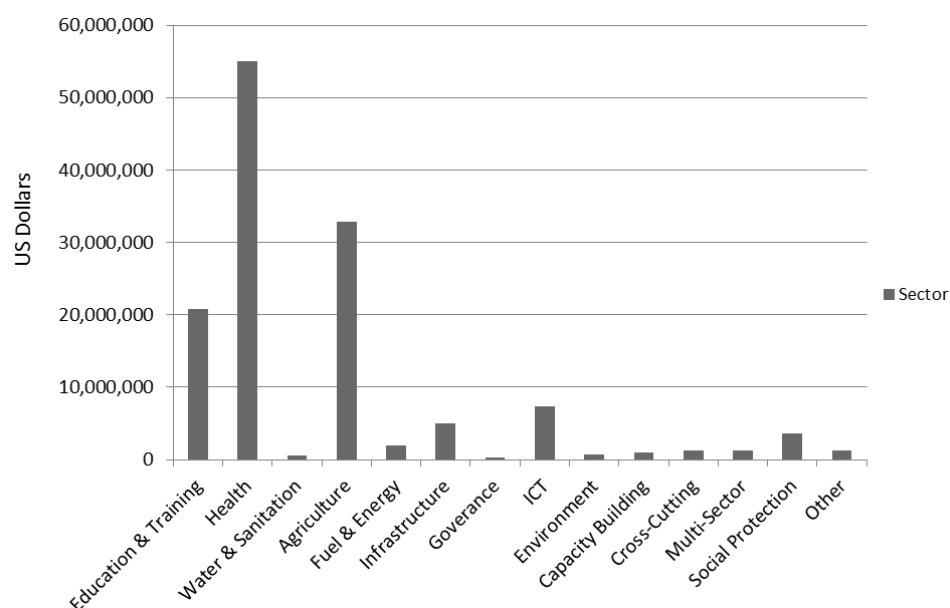
The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)/the Global Fund, has approved grants with an amount of US\$ 199.857.439 to Swaziland, and has to the date disbursed US\$ 157.078.620 (Global Fund, 2013). Swaziland's principal recipient for the GFTAM grants in the National Emergency Response Council on HIV/AIDS (NERCHA). NERCHA is responsible for allocating GFTAM grants to secondary recipients and implementing partners. It is also tasked with implementing Swaziland's National Strategic Framework for HIV and AIDS (Daku, 2012, p. 3).

The Government of the United States of America (US) provides grant assistance for projects through USAID, and through the US President's Emergency Plan for AIDS Relief (PEPFAR), as well as technical assistance (GoS, 2011b, p. 9). The majority of US funding to Swaziland comes from PEPFAR and it is guided by a joint strategic agenda for cooperation, the Partnership Framework for HIV and AIDS between the GoS and US (GoS and USG, 2009, p. 2). The Republic of China/Taiwan provides grant assistance and technical assistance to Swaziland through Taiwan's International Cooperation and Development Fund, which is usually for individual projects in a variety of sectors (GoS, 2011b, p. 9). Finally, Japan provides grants and technical assistance to Swaziland through the Japan International Cooperation Agency (GoS, 2011b, p. 10).

5.3.3. Donor's Support for Development Priorities

During the Aid Effectiveness Retreat, donors made a few observations with regard to key national planning frameworks (NDS, PRASP, ERS, FAR). One of them was, according to the GoS (2011b, p. 17) "[t]he confusion that exists amongst Development Partners as to which policies are currently being prioritised by the Government." During the retreat the GoS initiated SWAps, and in this context stated that "SWAp planning and budgeting be adopted, and phased in overtime, starting with selected sectors, namely Education, Health and Agriculture and Fisheries" (GoS, 2013, p. 25). This has been reflected in development partners' sector allocation of development aid in 2011/2012, as illustrated by Fig 5.2(below).

Fig 5.2: Sector Allocation of Official Development Aid in Swaziland 2011/12



Source: GoS (2013, p. 26).

In March 2011 the GoS and development partners in Swaziland participated for the first time in the Paris Declaration Monitoring Survey (OECD, 2011c, p. 1). The Survey shed some light on both the achievements and the shortcomings of the GoS-donor partnership against the 2010 aid effectiveness targets. The results of Survey are illustrated on table 5.3(below).

Table 5.3: Summary of Swaziland's Results, Challenges and Priority Actions from the Paris Declaration Monitoring Survey, 2011

| Paris Declaration Indicator | Results for Swaziland | Results for Swaziland |
|--|--|--|
| Ownership | | |
| (1) Operational development strategies | No operational development strategy in place | Challenge: The operationalilty of Swaziland's NDS is low Action: improve the link between NDS and long-term vision, and between strategic priorities and resource allocation. |
| Alignment | | |
| (3) Aid flows are aligned on national priorities | 56% reported on budget | Challenge: Limited use of country systems by donors and limited recording of aid on budget. |
| (4) Strengthen capacity | 76% of technical cooperation | |

| | | |
|---|---|---|
| by co-ordinated support | flows were disbursed through coordinated programmes | Action: Government should take a greater lead in encouraging the use of country systems among donors and improving their reliability; improve the link between policy formulation and budgeting. |
| (5a) Use of country public financial management systems | 5% of ODA disbursed by donors in 2010 used Swaziland's procurements systems | |
| (5b) Use country procurement systems | 12% of ODA disbursed by donors in 2010 used Swaziland's procurement systems | |
| (6) Strengthen capacity by avoiding parallel implementation units | Swaziland has only 3 PIUs | |
| (7) Aid is more predictable | 86% of scheduled aid was actually disbursed | |
| (8) Aid is untied | 92% of aid was untied in 2009 | |
| Harmonisation | | |
| (9) Use of common arrangements or procedures | 35% of aid flows are provided in the context of PBAs | Challenge: Limited use of programme-based approaches. Action: Greater efforts are needed to develop programme-based approaches and promote their use. |
| (10a) Encourage shared analysis | 27% of donor missions were coordinated | |
| (10b) Country analytic work | 26% of country analytic work was coordinated | |
| Managing for Results | | |
| (11) Results-orientated frameworks | No transparent and monitorable performance assessment frameworks in place | Challenge: Lack of a coordination structure and institutional responsibility to monitor and evaluate national development strategies. Action: Establish a centralised monitoring and evaluation unit to ensure coordinated and comprehensive reporting on progress; track input, output, and outcome indicators identified in the NDS and promote their utilisation among policy makers. |
| Mutual Accountability | | |
| (12) Mutual Accountability | Criteria not yet met | Challenge: Lack of assessment of country-level and effectiveness targets by both government and donors. Action: Institutionalise mutual accountability frameworks for regular and periodic assessments of country-level aid |

| | | |
|--|--|------------------------|
| | | effectiveness targets. |
|--|--|------------------------|

Source: Adapted from GoS (2013, pp. 18-19), OECD (2005a, p. 11) and OECD (2011c, p. 2).

VI. Conclusion

Through a predominantly qualitative approach, this dissertation has provided some insights into the efforts made by the GoS towards taking greater leadership over its poverty reduction priorities and strategies. The dissertation has also taken a glimpse into the role played by the development partners in Swaziland, and their efforts in assisting the GoS realise its poverty reduction goals. By assessing the efforts made by the GoS towards achieving poverty reduction through prioritised strategies and plans derived from the NDS and implemented through the PRASP, the main findings of the dissertation have been assessed and categorised under the following partner country commitments to achieve greater ownership over development policies and strategies as stated in the Paris Declaration and Accra Agenda:

1. Exercise leadership in developing and implementing their national development strategies through broad consultative processes;
2. Translate these national development strategies into prioritised results-oriented operational programmes, as expressed in medium-term expenditure frameworks and annual budgets;
3. Take lead in coordinating aid at all levels together with other development resources in dialogue with donors and encouraging the participation of civil society and the private sector.

In accordance with the principle of ownership, the GoS has exercised leadership over its development priorities and strategies through the development of the NDS and the PRASP. The Paris Declaration also states that it is imperative for partner countries to not only take leadership in developing national development strategies, but also in implementing these strategies through broad consultative processes. The NDS had a clear long-term vision for the development of Swaziland, and the PRASP is the vessel through which this vision will be implemented. The PRASP sets out clear objectives and strategies that aim to address the multi-dimensional levels of poverty in Swaziland, bearing in mind that these objectives are also consistent with the MDGs. The NDS is the long-term development vision for Swaziland, while the PRASP frames Swaziland's development agenda through interlinked key pillars. The pillars that best correspond with the development of the dissertation are: macroeconomic stability, income

redistribution through fiscal policy, investment in human capital, improving governance and strengthening institutions. Both the NDS and the PRASP have been formulated through intensive consultative processes with a variety of stakeholders which include the poor, government officers, NGOs, chiefs, Members of Parliament, the donor community, and the private sector. However, this inclusive process is limited by the weak transition from planning into implementing Swaziland's development strategies, and does not cover a whole policy cycle. Monitoring and reporting on the implementation of development strategies is not very effective outside of cabinet.

Obtaining macroeconomic stability is an essential element to poverty reduction, and yet it has been somewhat of a struggle in recent years as Swaziland continues to experience major economic instability. Following the global economic crisis, Swaziland experienced an unprecedented fiscal deficit during the years 2009-2011. Swaziland's financial crisis was at its worst during the years 2010/11, with a fiscal deficit of an estimated 13,9 percent of GDP. This has had an adverse effect on poverty reduction efforts as resources for key poverty-alleviating projects and investments were drastically decreased, which resulted in many projects being stopped.

One of the cross-cutting issues throughout the PRASP is the need for a redesigned tax system. Accordingly, the GoS has made some important moves in more recent years towards an improved tax system and to curb the effects the financial crisis has had on the country by introducing the FAR in 2010 and the ERS in 2011. These documents have been instrumental in establishing the fully operational SRA in 2011, which consequently paved way to the introduction of VAT in 2012, thus achieving the goal of a redesigned tax system. The introduction of VAT is a positive step towards facilitating the objective of income redistribution set out in the PRASP. Although economic growth has averaged at 2,4 percent of GDP from the years 2003-2011 income redistribution remains a major component of poverty reduction, in particular income redistribution through fiscal policy, as stated in the PRASP. Income redistribution through fiscal policy is an important tool for reducing inequalities, and equally importantly for investing in human capital. Swaziland's classification as a lower-middle income country masks the realities of a highly skewed income distribution. In 2010 the income share held by the highest 10 percent of the population was at an estimated 41 percent, while the income share held by the lowest 10 percent of the population was estimated at 1,7

percent. This severely counteracts economic expansion and further perpetuates poverty. Income redistribution through strong and fair policies is vital in order to achieve poverty reduction. This is a particularly difficult task for the GoS given the overall economic performance during the period 2003-2012 which has placed serious strains on the GoS budget and policy direction.

One of the major areas of concern over the years has been the GoS inability to effectively link its budget to policy direction, in particular the weak correspondence between budget and poverty reduction priorities such as those geared towards the development of human capital. On the 2004-2009 period, the annual average share of GDP for government expenditure on personnel accounted for an estimated 40,2 percent, the education sector accounted for an estimated 22 percent, and the health sector accounted for an estimated 9,2 percent. This is instructive of a weak strategic link between budget, policy and the NDS, as well as between sector strategies and the medium-term expenditure framework. It is imperative that the GoS takes stronger leadership over social sector prioritisation in order to stimulate investment in human capital. The health sector, in particular, is in need of greater budgetary prioritisation. This is important as Swaziland has the highest HIV/AIDS prevalence in the world, and the reduced access to health care and education places considerable pressure on the development of human capital.

In regional terms donors' presence in Swaziland is very low, as there is a combined total of nine bilateral and multilateral donors. Regardless, ODA to Swaziland has played a vital role in supporting the GoS towards poverty reduction objectives. Donors have also made efforts to align their support with the Swaziland's NDS and PRASP through country strategies and policy dialogues. During the financial year 2011/2012 Swaziland received an estimated US\$ 132,9 millions in ODA. A large portion of the ODA received was allocated to the health sector, followed by the education and training sectors, and then the agricultural sector. Aid coordination and management in Swaziland are guided by the National Aid Policy, which came into being in 1999. The ACMS of the MEPD has been tasked with the responsibility of managing and coordinating ODA. It has been noted that both the Aid Policy and the ACMS suffer from a few setbacks. The Aid Policy has been criticised of being outdated, and that it needs to be consistent with the Paris Declaration principles and objectives.

It has also been criticised for lacking ownership beyond the MEPD. The ACMS has also suffered some setbacks of its own in fulfilling its mandate. In many instances the line ministries and donors alike have failed to liaise with the ACMS when initiating and concluding resources mobilisation. There is also an apparent lack in a system that effectively monitors commitments and disbursements of ODA to Swaziland. This makes it extremely difficult to ascertain a holistic picture of how much aid has been received. The GoS needs to strengthen its leadership over aid coordination through the ACMS, aid coordination needs to be improved in all sectors, especially the line ministries. Donors need to have greater support for the GoS aid co-ordination efforts by working more closely with the ACMS.

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Appendixes

Appendix 1

Official list of MDG Indicators

All indicators should be disaggregated by sex and urban/rural as far as possible.

| Millennium Development Goals (MDGs) | |
|--|---|
| Goals and Targets (from the Millennium Declaration) | Indicators for monitoring progress |
| Goal 1: Eradicate extreme poverty and hunger | |
| Target 1.A: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day | 1.1 Proportion of population below \$1 (PPP) per day 1.2 Poverty gap ratio 1.3 Share of poorest quintile in national consumption |
| Target 1.B: Achieve full and productive employment and decent work for all, including women and young people | 1.4 Growth rate of GDP per person employed 1.5 Employment-to-population ratio 1.6 Proportion of employed people living below \$1 (PPP) per day 1.7 Proportion of own-account and contributing family workers in total employment |
| Target 1.C: Halve, between 1990 and 2015, the proportion of people who suffer from hunger | 1.8 Prevalence of underweight children under-five years of age 1.9 Proportion of population below minimum level of dietary energy consumption |
| Goal 2: Achieve universal primary education | |
| Target 2.A: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling | 2.1 Net enrolment ratio in primary education 2.2 Proportion of pupils starting grade 1 who reach last grade of primary 2.3 Literacy rate of 15-24 year-olds, women and men |
| Goal 3: Promote gender equality and empower women | |
| Target 3.A: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015 | 3.1 Ratios of girls to boys in primary, secondary and tertiary education 3.2 Share of women in wage employment in the non-agricultural sector 3.3 Proportion of seats held by women in national parliament |
| Goal 4: Reduce child mortality | |
| Target 4.A: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate | 4.1 Under-five mortality rate 4.2 Infant mortality rate 4.3 Proportion of 1 year-old children immunised against measles |
| Goal 5: Improve maternal health | |
| Target 5.A: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio | 5.1 Maternal mortality ratio 5.2 Proportion of births attended by skilled health personnel |
| Target 5.B: Achieve, by 2015, universal access to reproductive health | 5.3 Contraceptive prevalence rate 5.4 Adolescent birth rate 5.5 Antenatal care coverage (at least one visit and at least four visits) 5.6 Unmet need for family planning |
| Goal 6: Combat HIV/AIDS, malaria and other diseases | |

| | |
|--|---|
| Target 6.A: Have halted by 2015 and begun to reverse the spread of HIV/AIDS | 6.1 HIV prevalence among population aged 15-24 years 6.2 Condom use at last high-risk sex 6.3 Proportion of population aged 15-24 years with comprehensive correct knowledge of HIV/AIDS 6.4 Ratio of school attendance of orphans to school attendance of non-orphans aged 10-14 years |
| Target 6.B: Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it | 6.5 Proportion of population with advanced HIV infection with access to antiretroviral drugs |
| Target 6.C: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases | 6.6 Incidence and death rates associated with malaria 6.7 Proportion of children under 5 sleeping under insecticide-treated bednets 6.8 Proportion of children under 5 with fever who are treated with appropriate anti-malarial drugs 6.9 Incidence, prevalence and death rates associated with tuberculosis 6.10 Proportion of tuberculosis cases detected and cured under directly observed treatment short course |
| Goal 7: Ensure environmental sustainability | |
| Target 7.A: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources | 7.1 Proportion of land area covered by forest 7.2 CO2 emissions, total, per capita and per \$1 GDP (PPP) 7.3 Consumption of ozone-depleting substances 7.4 Proportion of fish stocks within safe biological limits 7.5 Proportion of total water resources used 7.6 Proportion of terrestrial and marine areas protected 7.7 Proportion of species threatened with extinction |
| Target 7.B: Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss | |
| Target 7.C: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation | 7.8 Proportion of population using an improved drinking water source 7.9 Proportion of population using an improved sanitation facility |
| Target 7.D: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers | 7.10 Proportion of urban population living in slums |
| Goal 8: Develop a global partnership for development | |
| Target 8.A: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system | <i>Some of the indicators listed below are monitored separately for the least developed countries (LDCs), Africa, landlocked developing countries and small island developing States.</i> |
| Includes a commitment to good governance, development and poverty reduction – both nationally and internationally | <u>Official development assistance (ODA)</u> |
| Target 8.B: Address the special needs of the least developed | 8.1 Net ODA, total and to the least developed countries, as percentage of OECD/DAC donors' gross national income 8.2 Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation) |

| | |
|---|---|
| <p>countries</p> <p>Includes: tariff and quota free access for the least developed countries' exports; enhanced programme of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction</p> <p>Target 8.C: Address the special needs of landlocked developing countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)</p> <p>Target 8.D: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term</p> | <p>8.3 Proportion of bilateral official development assistance of OECD/DAC donors that is untied</p> <p>8.4 ODA received in landlocked developing countries as a proportion of their gross national incomes</p> <p>8.5 ODA received in small island developing States as a proportion of their gross national incomes</p> <p><u>Market access</u></p> <p>8.6 Proportion of total developed country imports (by value and excluding arms) from developing countries and least developed countries, admitted free of duty</p> <p>8.7 Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries</p> <p>8.8 Agricultural support estimate for OECD countries as a percentage of their gross domestic product</p> <p>8.9 Proportion of ODA provided to help build trade capacity</p> <p><u>Debt sustainability</u></p> <p>8.10 Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative)</p> <p>8.11 Debt relief committed under HIPC and MDRI Initiatives</p> <p>8.12 Debt service as a percentage of exports of goods and services</p> |
| <p>Target 8.E: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries</p> | <p>8.13 Proportion of population with access to affordable essential drugs on a sustainable basis</p> |
| <p>Target 8.F: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications</p> | <p>8.14 Fixed telephone lines per 100 inhabitants</p> <p>8.15 Mobile cellular subscriptions per 100 inhabitants</p> <p>8.16 Internet users per 100 inhabitants</p> |

Source: Adapted from (UN, 2008) [Online] Available at <<http://mdgs.un.org/unsd/mdg/Host.aspx?Content=Indicators/OfficialList.htm>> (accessed, 10.01.13).

Appendix 2

Interview Details

| Name of Institution | Interviewee details: | Date of interview |
|--|---|--------------------------|
| Ministry of Economic Planning and Development (MEPD) | Name: Deepak Sardival Economist deepak@mepd-acms.org | 05/05/2013 |
| National Emergency Response Council on HIV/AIDS (NERCHA) | Name: Lucas Jele SHAPMoS Manager lucas@nercha.org.sz | 05/07/2013 |
| Ministry of Foreign Affairs and International Co-operation | Name: Melusi Masuku Under Secretary-Political (+268) 24042661/4 | 04/07/2013 |
| United Nations Development Programme (UNDP) | Name: Shadrack Tsabedze shadracktsabedze@undp.org | 14/07/2013 |
| United Nations Children Fund (UNICEF) | Name: Muriel Mafico Deputy Representative mmafico@unicef.org | 23/07/2013 |
| European Commission | Name: Alice Peslin alice.peslin@eeas.europa.eu | n.a |
| Presidents Emergency Plan for AIDS Relief (PEPFAR) | Name: Sabelo Kunene kuneness@state.gov | n.a |

Appendix 3

Donor Questionnaire

**Interview guide/ Questionnaire
Research on Government Ownership in Swaziland**

Introduction

The momentum created by the Paris Declaration has produced an international consensus on how to best achieve development goals, and accelerate the achievement of the Millennium Development Goals (MDGs). The Paris declaration has a reform agenda – through the principles of ownership, alignment, harmonisation, managing for results, and mutual accountability- to make aid more effective by improving aid delivery and management. At the centre of the reform agenda to make aid more effective is the partner countries ownership of their national development policies and programmes, as reflected in the Paris Declaration and the Accra Agenda for Action. The purpose of this interview/ questionnaire is to gain some insight on efforts made by the Government of Swaziland (GoS) in taking stronger leadership over its development policies, and the donor community's efforts in support of country ownership.

Name of Interviewee:

Donor Agency:

Email address:

Date of interview:

General Questions

1. How long has this agency been situated in Swaziland?

2. What kind of aid do you provide (grants, loans, etc)?

3. What are, in this agency's view, the development priorities of this country?

4. Which development priorities does your agency support? And in what ways does your agency support these priorities?

Ownership

| |
|--|
| 1. Are the national development policies of Swaziland consistent with international commitments of Gender equality, human rights, disability, and environmental sustainability? Yes/No, please elaborate. |
| 2. Does Swaziland's National Development Plan adequately reflects the country's development priorities? |
| 3. Does the National Development Plan allocate appropriate resources towards poverty reduction? Yes/No please elaborate. |
| 4. To your knowledge, in what ways has the GoS worked closely with representative bodies (i.e. Parliament, CSOs, media, research institutes, and private sector) in the development and implementation of national development policies and strategies? |
| 5. What efforts are being made towards the participation of a broader range of stakeholders in policy dialogue in Swaziland? |
| 6. How would you describe the GoS capacity (i.e. institutions, systems, and local expertise) to lead and manage its development processes? |
| 7. Does your organisation play a supporting role in capacity development (i.e. technical co-operation) of the GoS? Yes/No, please elaborate. |
| <u>Alignment</u> |
| 1. To what extent is aid provided by your agency aligned with Swaziland's development priorities? |
| 2. Does the GoS's National Development Strategy (NDS) and Poverty Reduction Strategy and Action Plan (PRSAP) set out clear targets that allow donors to align their programming with? |
| 3. Does your agency have a strategy that enables you to align your assistance behind the needs and priorities of the NDS and the PRSAP? If yes, please describe this strategy. If no, please elaborate on how else your agency aligns itself according to the needs and priorities of the NDS and PRSAP. |
| 4. Does your agency perform periodic reviews in implementing these strategies? If yes/no, please elaborate. |
| 5. Does the GoS have effective public financial management (PFM) systems? |
| 6. In what ways does your agency use the GoS PFM systems? If not, what aid delivery mechanism does your agency use, and what is the rationale of this? |
| <u>Sector Wide Approaches</u> |

| |
|---|
| 1. Does your agency support sector wide approaches? |
| 2. How many sector programmes are you involved in and what do they consist of? |
| 3. What government-led processes of donor coordination have been put in place at sector levels? |
| <u>Closing Remarks</u> |
| Is there anything you would like to add to this interview/questionnaire? |

GoS Questionnaire

Interview guide/ Questionnaire Research on Government Ownership in Swaziland

Introduction

The momentum created by the Paris Declaration has produced an international consensus on how to best achieve development goals, and accelerate the achievement of the Millennium Development Goals (MDGs). The Paris declaration has a reform agenda – through the principles of ownership, alignment, harmonisation, managing for results, and mutual accountability- to make aid more effective by improving aid delivery and management. At the centre of the reform agenda to make aid more effective is the partner countries ownership of their national development policies and programmes, as reflected in the Paris Declaration and the Accra agenda for action. The purpose of this interview/ questionnaire is to gain some insight on efforts made by the Government of Swaziland (GoS) in taking stronger leadership over its development policies, and the donor community's efforts in support of country ownership.

Handling of Information

Kindly note:

- i. The information collected from this interview/questionnaire will assist in gaining some much needed insight on the topic presented.

- ii. The information collected from the interview/ questionnaire will be used solely for the purpose of this Masters Dissertation.
- iii. The information will be handled with the utmost respect and confidence.
- iv. The interview will be recorded and will take place in a time frame of 1hr- 1hr 30minutes.

Name of Interviewee:

Government Department:

Email address:

Date of interview:

General Questions

1. What are the Development priorities of Swaziland?

2. Briefly describe the development strategy of Swaziland?

3. How accessible are Swaziland's Short-term, medium-term, and long-term development strategies and policies to the general public?

4. What is the primary form of funding the GoS receives? Grants, loans, ect.

Ownership

1.To what extent are the national development policies and strategies of Swaziland consistent with international commitments of gender equality, human rights, disability, and environmental sustainability?

2. What efforts has the GoS made to working closely with representative bodies (i.e. Parliament, CSOs, media, research institutes, and private sector) in the development and implementation of national development policies and plans?

3. What efforts are being made towards the participation of a broader range of stakeholders in policy dialogue in Swaziland?

4. Does the participatory process cover the whole policy cycle? (from formulation through approval, implementation, monitoring and evaluation).

5. What is the participatory approach used by the GoS? (Information sharing, consultation with stakeholders?)

6. What efforts has the GoS made to facilitate alignment, harmonisation, and co-ordination? (i.e. calling for regular meetings to discuss these principles)?

Alignment

| |
|---|
| 1. What efforts have been made by the GoS and the donor community to creating mutually agreed upon performance assessment frameworks? |
| 2. What efforts has the GoS made to strengthen institutions and systems to improve aid effectiveness? i.e national arrangements and procedures for public financial management, auditing, procurement, results frameworks and monitoring. |
| 3. To what extent do donors use country systems? |
| 4. <i>"The capacity to plan, manage, implement, and account for results of policies and programmes, is critical for achieving development objectives"</i> The Paris Declaration. What capacity strengthening objectives has the GoS pursued in its national development strategies? (i.e sound technical analysis, broader social, political and economic environment, including the need to strengthen human resources). |
| 5. May you identify areas in which the GoS needs to strengthen the capacity to perform and deliver services at a national, local government, sectoral level? |
| 6. Does the GoS have effective public financial management (PFM) systems? |
| 7. Do donor agencies use the GoS PFM systems? |
| <u>Sector Wide Approaches</u> |
| 1. How many ministries have operational sector wide programmes? |
| 2. Is there a government-led process of donor coordination in place at sector level? |
| 3. What framework for aid management has the GoS put in place? |
| 4. Which ministries are doing well in managing their frameworks for aid management? |
| 5. What framework has been put in place for the sharing of information between donor agencies and the GoS? |
| 6. Do donor agencies provide the GOS with information on planned aid flows? |
| <u>Closing Remarks</u> |
| Is there anything you would like to add to this interview/questionnaire? |

Appendix 4

Rostow's Stages of Economic Growth

| | Characteristics |
|-------------------------------|--|
| 1. Traditional Society | <p>Production and Productivity are limited. Scientific knowledge is "pre-Newtonian." Society is heavily agricultural. The social and political structure is hierarchical. The value system is geared to fatalism.</p> |
| 2. Preconditions for take-off | <p>Productivity is still limited. The nation state is a necessary political development. Economic progress comes to be seen as necessary for public good. These preconditions generally come from some "external intrusion".</p> |
| 3. The take-off | <p>Rise in savings and in investment in economic expansion. Agriculture becomes mechanized and commercialized. New production methods are developed. An expanding class of capitalists arises. "Compound interest gets built into" [the nation's] habits and institutional structures (<i>cit. in</i> Rostow, 1960, p. 36).</p> |
| 4. The drive to maturity | <p>Output increases faster than population. The nation engages in specialization and international trade. A nation can produce what it chooses. "Dependence is a matter of economic choice rather than a technological or institutional necessity" (<i>cit. in</i> Rostow, 1960, p. 10).</p> |
| 5. High-mass consumption | <p>Production shifts to consumer goods and services. Real income can purchase much more than food and shelter. Quality of life becomes important, no longer dominated by the wish to expand technology.</p> |
| 6. Beyond mass consumption | <p>Increased value is given to non-monetary aspects of life.</p> |

Source: Adapted from Sheppard et al. (2009, p. 71).

Appendix 5

Paris Declaration Indicators and Targets 2010

Table 1.1 To what extent have global targets been met?
 Paris Declaration indicators and targets, 2010

| Paris Declaration Indicator | 2010 Actual | 2010 Target ^a | Status |
|--|----------------|--------------------------|------------|
| 1 Operational Development Strategies % of countries having a national development strategy rated "A" or "B" on a five-point scale ^a | 37% (of 76) | 75% | Not met |
| 2a Reliable public financial management (PFM) systems % of countries moving up at least one measure on the PFM/CPIA scale since 2005 ^a | 38% (of 52) | 50% | Not met |
| 2b Reliable procurement systems % of countries moving up at least one measure on the four-point scale since 2005 | -- | No Target ^c | -- |
| 3 Aid flows are aligned on national priorities % of aid for the government sector reported on the government's budget ^a | 41% | 85% | Not met |
| 4 Strengthen capacity by co-ordinated support % of technical co-operation implemented through co-ordinated programmes consistent with national development strategies ^a | 57% | 50% | Met |
| 5a Use of country PFM systems % of aid for the government sector using partner countries' PFM systems ^b | 48% | 55% | Not met |
| 5b Use of country procurement systems % of aid for the government sector using partner countries' procurement systems | 44% | No Target ^c | -- |
| 6 Strengthen capacity by avoiding parallel PIUs Total number of parallel project implementation units (PIUs) ^b | 1 158 | 565 | Not met |
| 7 Aid is more predictable % of aid for the government sector disbursed within the fiscal year for which it was scheduled and recorded in government accounting systems ^b | 43% | 71% | Not met |
| 8 Aid is untied % of aid that is fully untied ^a | 86% | More than 89% | Not met |
| 9 Use of common arrangements or procedures % of aid provided in the context of programme-based approaches ^a | 45% | 66% | Not met |
| 10a Joint missions % of donor missions to the field undertaken jointly ^a | 19% | 40% | Not met |
| 10b Joint country analytic work % of country analytic work undertaken jointly ^a | 43% | 66% | Not met |
| 11 Results-oriented frameworks % of countries with transparent and monitorable performance assessment frameworks ^a | 20% (of 44) | 36% | Not met |
| 12 Mutual accountability % of countries with mutual assessment reviews in place ^a | 38% | 100% | Not met |

Notes:

- Assessment against 2010 target uses data for all 78 countries participating in 2011 for which data were available. Where data are available for only a subset of these countries, the sample size is indicated in brackets.
- Assessment against 2010 target uses data for the 32 countries participating in both the 2006 and 2011 Surveys, as the indicator target is formulated in relation to the 2005 baseline. Targets may differ from those published in previous years as baselines have been recalculated, omitting data from two countries (Nicaragua and Yemen) which formed part of the original panel of 34 countries participating in 2006, but which did not participate in 2011.
- No targets are presented for indicators 2b (reliable procurement systems) and 5b (use of country procurement systems) as the sample of countries for whom data on the quality of systems are available is too small to allow for meaningful analysis.
- The targets shown may differ from indicative targets published in previous years as a result of adjustments to historical data (e.g. indicator 8, where final data on tying led to adjustments to the underlying datasets after publication of reports on the previous surveys). The target for indicator 5a (use of country PFM systems) has been computed to consider the 2010 scores on the quality of PFM systems (indicator 2a), consistent with the approach agreed in the Paris Declaration and described in Chapter 3.

Source: (OECD, 2011a, p. 19).

Appendix 6

Swaziland Map with Regions and Cities



Sources: [Online] Available at <<http://www.vidiani.com/?p=10073>>. [Accessed 30/05/2013].

Appendix 7**Swaziland's Exports and Imports by Region, and Top Ten Sources and Destinations**

| Swaziland's Exports and Imports by Region, 2004 | | |
|--|--|--|
| Region | Exports as a share of total (%) | Imports as a share of total (%) |
| World | 100.00 | 100.00 |
| SADC | 75.41 | 91.46 |
| North American Free Trade Agreement (NAFTA) | 10.18 | 0.38 |
| Oceania | 5.33 | 0.03 |
| Rest of Africa | 4.85 | 0.05 |
| Eastern Asia | 2.16 | 1.52 |
| European Union | 1.75 | 1.35 |
| Rest of Asia | 0.23 | 5.16 |
| Rest of Europe | 0.06 | 0.00 |
| Rest of Americas | 0.02 | 0.01 |
| Other Regions | 0.00 | 0.03 |
| MERCOSUR | 0.00 | 0.03 |

| Swaziland's top ten Sources of Imports and Destinations for Exports, 2004 | | | |
|--|--|----------------------|--|
| Country | Exports as a share of total (%) | Country | Imports as a share of total (%) |
| 1. South Africa | 66.81 | South Africa | 90.76 |
| 2. United States | 10.12 | Taiwan | 3.04 |
| 3. Mozambique | 4.63 | Hong Kong | 1.16 |
| 4. New Zealand | 3.03 | China | 1.06 |
| 5. Kenya | 3.03 | Mozambique | 0.65 |
| 6. Australia | 2.30 | Japan | 0.46 |
| 7. China | 1.85 | United States | 0.33 |
| 8. United Kingdom | 0.98 | Italy | 0.28 |
| 9. Tanzania | 0.96 | Germany | 0.26 |
| 10. Angola | 0.93 | Singapore | 0.25 |

Source: Adapted from SADC (2004, pp. 165-167). [Online] Available at <<http://www.sadctrade.org/files/Intra-SADC-trade-performance-review-2006-7-swaziland.pdf>>. [Accessed 22/06/2013].

Appendix 8

The Average Annual Exchange Rate of US\$1-SZL and € 1-SZL

| Year | US\$ 1 | SZL | € 1 | SZL |
|-------------|---------------|------------|------------|------------|
| 2009 | 1 | 8.4163 | 1 | 11.6703 |
| 2010 | 1 | 7.2123 | 1 | 9.5673 |
| 2011 | 1 | 7.1724 | 1 | 9.9697 |
| 2012 | 1 | 8.1092 | 1 | 10.4218 |

Source: OANDA (2013)

Appendix 9

Swaziland: Selected Economic Indicators and Fiscal Operations of the Central Government 2009-17

Table 1. Swaziland: Selected Economic Indicators, 2009–16

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|--------|--------|-------------|--------|--------|--------|--------|--------|
| | | | Projections | | | | | |
| (percentage changes; unless otherwise indicated) | | | | | | | | |
| National account and prices ¹ | | | | | | | | |
| GDP at constant prices | 1.2 | 2.0 | 0.5 | 1.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| GDP per capita at constant prices | 1.4 | 2.4 | 0.9 | 1.9 | 2.9 | 2.9 | 2.9 | 2.9 |
| GDP deflator | 5.4 | 6.2 | 7.8 | 6.3 | 3.3 | 4.5 | 4.1 | 4.1 |
| GDP at market prices (Emalangeni millions) | 24,995 | 27,064 | 29,333 | 31,637 | 33,498 | 35,882 | 38,267 | 40,828 |
| Consumer prices (average) | | | | | | | | |
| Headline | 7.5 | 4.5 | 7.9 | 6.1 | 5.3 | 5.2 | 4.8 | 4.5 |
| Underlying (excluding food) | 5.9 | 7.2 | 6.8 | 6.1 | 5.3 | 5.2 | 4.8 | 4.5 |
| External sector | | | | | | | | |
| Average exchange rate | | | | | | | | |
| (local currency per US\$) | 8.4 | 7.6 | ... | ... | ... | ... | ... | ... |
| Nominal exchange rate change (– = depreciation) ² | 12.7 | 5.4 | ... | ... | ... | ... | ... | ... |
| Real effective exchange rate (– = depreciation) ² | 13.2 | 5.1 | ... | ... | ... | ... | ... | ... |
| Gross international reserves | | | | | | | | |
| (months of imports) | 3.9 | 2.6 | 2.9 | 3.4 | 4.1 | 4.9 | 5.0 | 4.9 |
| (percent of reserve money) | 496.5 | 383.8 | 338.1 | 264.4 | 225.6 | 204.0 | 207.0 | 204.8 |
| Money and credit ³ | | | | | | | | |
| Domestic credit to the private sector | 10.1 | 2.0 | 8.4 | 7.8 | 5.9 | 7.1 | 6.6 | 6.7 |
| Reserve money | 38.3 | -10.2 | 31.2 | 50.8 | 48.2 | 39.7 | 6.6 | 6.7 |
| M2 | 26.8 | 7.9 | 8.4 | 7.9 | 5.9 | 7.1 | 6.6 | 6.7 |
| Interest rate (percent) ⁴ | 7.8 | 5.7 | ... | ... | ... | ... | ... | ... |
| (percent of GDP) | | | | | | | | |
| National accounts | | | | | | | | |
| Gross capital formation | 14.4 | 12.4 | 11.6 | 12.6 | 13.3 | 13.5 | 14.0 | 14.0 |
| Government | 8.9 | 7.1 | 6.3 | 7.2 | 7.9 | 8.1 | 8.6 | 8.6 |
| Private | 5.5 | 5.3 | 5.3 | 5.4 | 5.4 | 5.4 | 5.4 | 5.4 |
| National savings | 0.3 | -5.8 | -2.0 | 2.1 | 5.4 | 8.3 | 9.0 | 9.0 |
| Government | 3.9 | -3.4 | -1.7 | 2.8 | 5.8 | 7.1 | 7.9 | 7.9 |
| Private | -3.6 | -2.4 | -0.3 | -0.7 | -0.4 | 1.2 | 1.1 | 1.1 |
| External sector | | | | | | | | |
| Current account balance | | | | | | | | |
| (including official grants) | -14.0 | -18.2 | -13.6 | -10.5 | -7.8 | -5.2 | -5.0 | -5.0 |
| (excluding official grants) | -18.1 | -18.6 | -12.9 | -9.6 | -7.5 | -5.2 | -5.2 | -5.2 |
| External public debt | 12.0 | 12.1 | 18.0 | 23.3 | 26.5 | 28.3 | 29.8 | 30.4 |
| Central government fiscal operations ⁵ | | | | | | | | |
| Overall balance (commitment basis) | -7.1 | -12.8 | -7.9 | -5.0 | -2.9 | -2.3 | -2.2 | -2.2 |
| (excluding grants) | -7.6 | -13.9 | -8.8 | -5.7 | -3.6 | -3.0 | -2.9 | -2.9 |
| Revenue | 35.7 | 24.5 | 25.8 | 27.1 | 29.4 | 30.5 | 31.6 | 32.1 |
| Grants | 0.5 | 1.1 | 0.9 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Total expenditure and net lending | 43.3 | 38.3 | 34.6 | 32.8 | 33.0 | 33.5 | 34.5 | 35.0 |
| Public debt, gross | 12.6 | 20.6 | 26.8 | 30.6 | 32.9 | 34.1 | 35.2 | 35.2 |
| Public debt, net | -3.5 | 12.4 | 19.6 | 23.9 | 26.6 | 28.2 | 29.7 | 30.0 |

Sources: Swazi authorities; and Fund staff estimates and projections.

¹ The official GDP numbers from 1994 to 2006 were significantly revised in 2007, and recently in 2008.

² IMF Information Notice System trade-weighted; end of period.

³ Percent of beginning-of-period broad money; end-September for 2009.

⁴ 12-month time deposits rate.

⁵ The fiscal year runs from April 1 to March 31.

Table 2. Swaziland: Fiscal Operations of the Central Government, 2009/10–16/17 ¹
 (Emalangeni millions)

| | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|---|---------|---------|---------|-------------|---------|---------|---------|---------|
| | | | Prog. | Projections | | | | |
| Total revenue and grants | 9,222 | 7,053 | 7,980 | 8,927 | 10,269 | 11,379 | 12,593 | 13,624 |
| Revenue | 9,102 | 6,757 | 7,715 | 8,702 | 10,030 | 11,124 | 12,312 | 13,343 |
| Tax revenue | 8,732 | 6,584 | 7,528 | 8,501 | 9,816 | 10,895 | 12,068 | 13,083 |
| Taxes on income, profits, and capital gains | 2,326 | 2,462 | 2,677 | 2,880 | 3,093 | 3,455 | 3,879 | 4,347 |
| Taxes on goods and services | 1,182 | 1,467 | 1,913 | 2,696 | 2,948 | 3,337 | 3,559 | 3,797 |
| Taxes on international trade | 5,209 | 2,630 | 2,881 | 2,865 | 3,711 | 4,035 | 4,556 | 4,861 |
| of which: SACU receipts | 5,192 | 2,630 | 2,881 | 2,865 | 3,711 | 4,035 | 4,556 | 4,861 |
| Other taxes | 15 | 25 | 57 | 61 | 65 | 69 | 74 | 79 |
| Non-tax | 370 | 173 | 187 | 201 | 214 | 229 | 244 | 260 |
| Grants | 120 | 296 | 265 | 225 | 239 | 255 | 281 | 281 |
| Budget support | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Project grants | 120 | 296 | 265 | 225 | 239 | 255 | 281 | 281 |
| Expenditures and net lending | 11,038 | 10,596 | 10,353 | 10,534 | 11,267 | 12,234 | 13,433 | 14,539 |
| Current expenditures | 8,699 | 8,453 | 8,178 | 7,687 | 8,082 | 8,709 | 9,462 | 10,387 |
| Wages and salaries | 4,420 | 4,900 | 4,208 | 4,141 | 4,091 | 4,231 | 4,513 | 4,815 |
| Goods and services | 2,343 | 1,715 | 1,517 | 1,605 | 1,705 | 1,860 | 1,984 | 2,117 |
| Subsidies and transfer | 1,723 | 1,618 | 2,071 | 1,445 | 1,705 | 2,006 | 2,334 | 2,698 |
| Interest | 213 | 220 | 382 | 496 | 581 | 611 | 630 | 756 |
| Capital expenditure | 2,656 | 2,143 | 2,176 | 2,847 | 3,186 | 3,524 | 3,971 | 4,153 |
| Foreign financed | 2,080 | 1,202 | 1,397 | 1,595 | 1,685 | 1,773 | 1,870 | 1,870 |
| Domestic financed | 576 | 941 | 778 | 1,252 | 1,500 | 1,751 | 2,101 | 2,283 |
| Net lending | -317 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Exceptional Financing Transactions, Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overall balance (commitment basis) | | | | | | | | |
| Including grants | -1,816 | -3,542 | -2,373 | -1,607 | -998 | -855 | -840 | -915 |
| Excluding grants | -1,936 | -3,838 | -2,638 | -1,832 | -1,237 | -1,110 | -1,121 | -1,196 |
| Accumulation of arrears | 0 | 1,200 | -1,200 | 0 | 0 | 0 | 0 | 0 |
| Overall balance (cash basis) | -1,816 | -2,342 | -3,573 | -1,607 | -998 | -855 | -840 | -915 |
| Financing ² | 1,816 | 2,342 | 2,250 | 850 | 610 | 855 | 840 | 915 |
| External financing (net) ² | 1,432 | 625 | 1,080 | 981 | 610 | 855 | 840 | 915 |
| Domestic financing (net) | 385 | 1,718 | 1,170 | -130 | 0 | 0 | 0 | 0 |
| Monetary Sector | 285 | 1,848 | 100 | 0 | 0 | 0 | 0 | 0 |
| Non-Monetary Sector | 100 | -130 | 1,070 | -130 | 0 | 0 | 0 | 0 |
| Privatization proceeds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Errors and omissions/financing gap ² | 0 | 0 | 1,324 | 756 | 388 | 0 | 0 | 0 |
| Memorandum item: | | | | | | | | |
| Primary balance, including grants | -1,603 | -3,322 | -1,991 | -1,111 | -417 | -244 | -210 | -159 |
| Central government debt (gross) ² | 3,204 | 4,479 | 9,217 | 9,836 | 11,217 | 12,443 | 13,700 | 14,610 |

Sources: Swazi authorities; and Fund staff estimates and projections.

¹ The fiscal year runs from April 1 to March 31.

² Financing gap assumed to be covered through foreign financing, which is included in the calculations of the stock of debt.

Source: Mongardini et al. (2011, pp. 17-18).