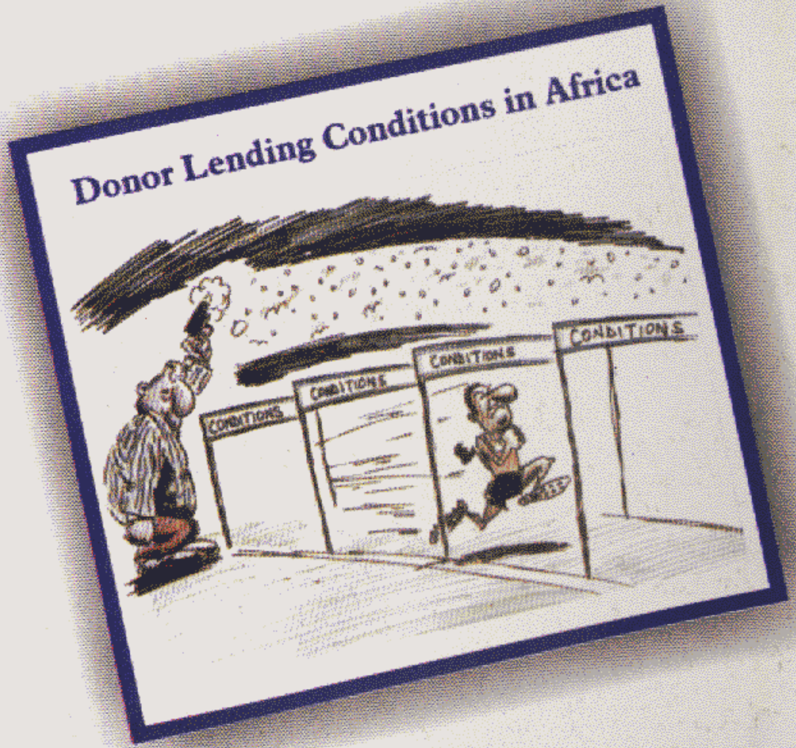
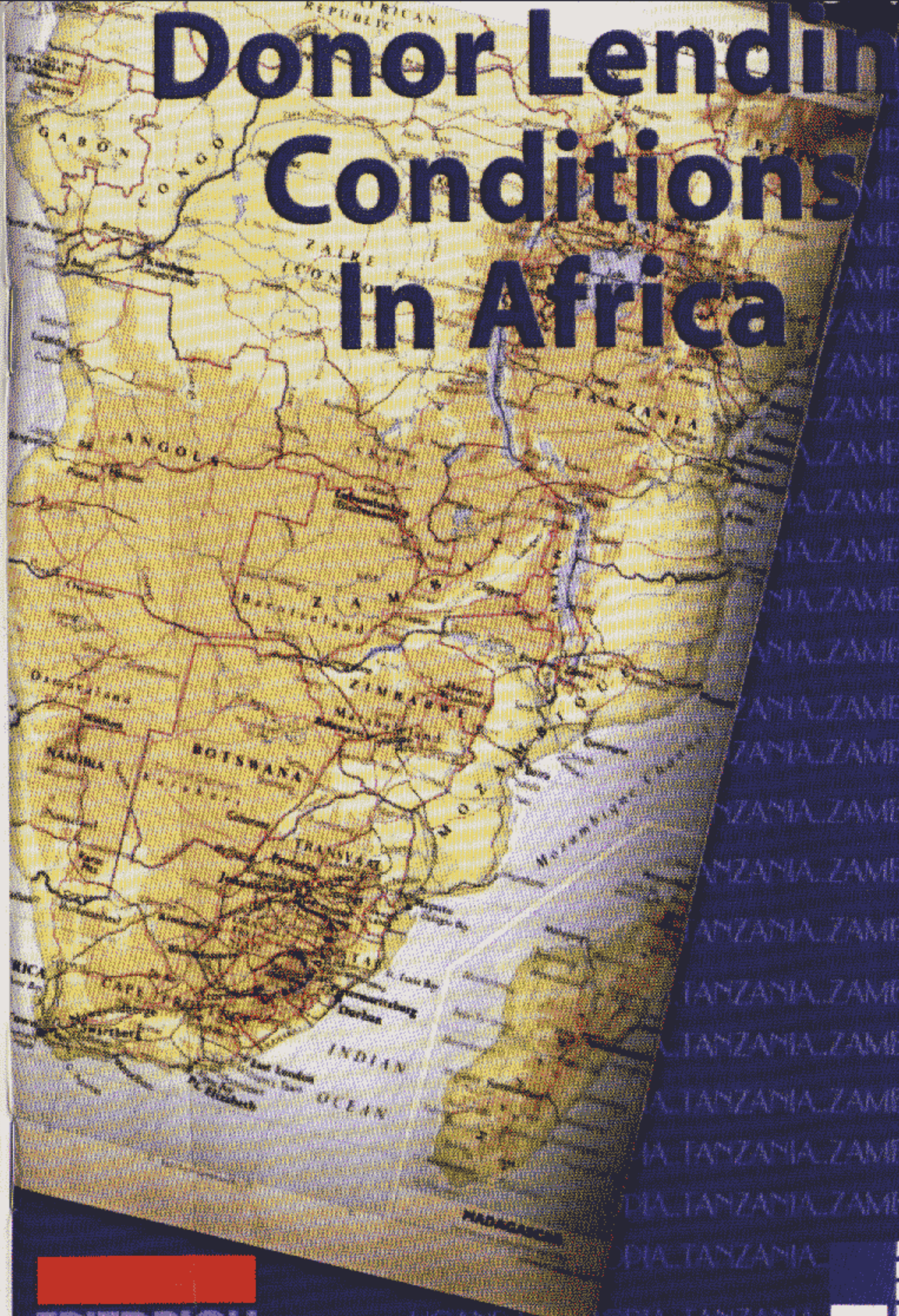
Donor Lending Conditions in Africa reports on the proceedings of a conference of the same title, held in Nairobi on October 24-24, 2001, where countries represented included Ethiopia,Tanzania, Uganda, Zambia and Kenya.
Debate centred around the relationship between donor agencies and recipient countries and highlighted the political, social and economic effects of conditionalities for development aid within the respective countries.
This book provides useful pointers in handling the sensitive issue of development aid for all stakeholders in general.



Donor Lending Conditions In Africa



FRIEDRICH EBERT STIFTUNG

NSE
NAIROBI STOCK EXCHANGE

Mary M'Mukindia facilitating the conference

NSE Chief Executive Kibuga Kariithi (left) during the debate.

DONOR LENDING CONDITIONS IN AFRICA

A Report By
FRIEDRICH EBERT STIFTUNG
and
NAIROBI STOCK EXCHANGE

December 2001
N A I R O B I

Published by

Nairobi Stock Exchange (NSE)
P.O. Box 43633,
Nairobi, Kenya

and

Friedrich Ebert Stiftung (FES)
P.O. Box 14932,
Peponi Plaza,
Nairobi, Kenya

First Published 2001
ISBN 9966-957-24-3

Design and layout:
Rubicon Media
P.O. Box 3613-0200
Nairobi, Kenya

CONTENTS

LIST OF ABBREVIATIONS

COMESA	-	**Common Market for Eastern and Southern Africa**
DC	-	**District of Columbia**
DDI	-	**Direct Domestic Investment**
EAC	-	**East African Community**
ECA	-	**Economic Commission for Africa**
FDI	-	**Foreign Direct Investment**
FES	-	**Friedrich Ebert Stiftung**
GDP	-	**Gross Domestic Product**
IBRD	-	**International Bank for Reconstruction and Development**
IMF	-	**International Monetary Fund**
MTEF	-	**Medium-Term Expenditure Framework**
NSE	-	**Nairobi Stock Exchange**
PRSP	-	**Poverty Reduction Strategy Paper**
SADC	-	**Southern Africa Development Community**
SAP(s)	-	**Structural Adjustment Programme(s)**
UNCTAD	-	**United Nations Conference on Trade and Development**
US	-	**United States of America**
WB	-	**World Bank**
WTO	-	**World Trade Organisation**

FOREWORD

Following consultations between the Friedrich Ebert Stiftung (FES), the Nairobi Stock Exchange (NSE), the International Monetary Fund (IMF) and the World Bank (WB) it seemed timely to hold a conference on donor lending conditions on African soil where poverty truly is grinding and misery rather than hope characterises the prevailing mood. Additionally, the relationship between multilateral donors and recipient African countries varies from stormy, through cordial, to very upbeat.

Participants were drawn from the government, civil society and the private sectors of five African countries (Ethiopia, Kenya, Tanzania, Uganda and Zambia), the World Bank (WB) and International Monetary Fund (IMF). Government representatives from each country delivered the country position papers, with representatives of civil society, and the private sector acting as discussants and WB and IMF officials responding to presentations as appropriate.

The aim of the conference was to facilitate open debate to help dispel the mystery surrounding the critical relationship between multilateral donor agencies and recipient countries, and to encourage all stakeholders to play an active part in determining the role, scope and effect of conditionalities. Indeed, a keynote address by the Kenyan Minister for Finance (see appendix 2) was instructive in indicating the level of misunderstanding and misinterpretation that exists both between donors and their recipient countries and within the various segments (private sector and civil society) of the recipient countries. It is the organisers' hope that the conference acted as a catalyst for the demystification of conditionalities and the deepening and widening of ownership in recipient countries.

The FES and the NSE wish to express their deep appreciation to all the participants for

their willingness to freely and forthrightly discuss the issues surrrounding the conditionalities. We are deeply indebted to all the delegates who took the time off to attend, contribute position papers and so much of themselves and participate in the discussions; the secretariat and rapporteurs for their splendid efforts at managing the logistics and recording the proceedings; and the consultants and the facilitator for ensuring that all the sessions flowed seamlessly into each other and for ensuring each was finished on time.

We will be taking on board the participants' view that this initiative must be continued both, at national and regional levels in Africa.

Dr. Roland Schwartz
COUNTRY DIRECTOR KENYA
FRIEDRICH EBERT STIFTUNG (FES)

Kibuga Karilthi
CHIEF EXECUTIVE
NAIROBI STOCK EXCHANGE (NSE)

INTRODUCTION

This report is a summary of the outcomes of the conference on donor conditionalities in Africa. The conference was held from October 24-26, 2001.

The report has three main chapters. The first chapter presents the main outcomes of the conference. It summarises the lessons learnt from the experiences of the recipient countries; the concerns expressed by participants with regard to the conditionalities, their implementation and their impact and the response of donor agencies to some of these concerns; and the resolutions passed by the participants in the conference. The lessons and concerns relate to the capacity, ownership and participation of recipient-country stakeholders, the issue of corruption, the conditionalities themselves and the process of negotiating them, and poverty reduction. The recommendations represent the participants' view of the major challenges in donor-recipient country relationships, and what needs to be done to address them. They were developed in plenary at the end of the conference based on both open-space and group discussions around specific issues.

The second chapter provides the background to the conference. It discusses the rationale for the conference as well as the process followed in conducting the business of the conference.

Chapter three discusses the experiences of each of the five countries which participated in the conference - Ethiopia, Kenya, Tanzania, Uganda and Zambia - with respect to the specific conditionalities, their implementation and their impact. All this was derived from presentations by government representatives, reactions of discussants from civil society, the private sector and the International Monetary Fund (IMF) and World Bank (WB), and group and plenary discussions.

Though the Kenya government did not make any presentations, the Kenyan Minister for Finance, however, officially opened the conference through a speech read on his behalf by an Assistant Minister for Finance, and he made some fairly strong remarks about the IMF and the WB conditionalities, and the manner in which they were being applied (see Appendix II for the speech). The participants, nevertheless, discussed what they considered to be the Kenyan experience with implementation and impact of conditionalities.

During the conference, a matrix was developed of the conditionalities applied in the various countries, the period and ease of implementation and the social, economic and political impacts. The matrix is included as Appendix I.

CHAPTER ONE

MAIN OUTCOMES

Over the period of the conference, a number of general conclusions were drawn from the presentations, discussant views and open-space, group and plenary discussions. From the lessons and concerns arising from experience with conditionalities in the various countries, the participants made some recommendations for their future negotiation and application. This chapter summarises these lessons and concerns, the recommendations and the main outcomes of the conference.

Lessons and Concerns

Experience with the conditionalities applied to the recipient countries has produced certain lessons that are instructive for both the countries and the IMF and the WB. Besides, a number of concerns have been expressed with respect to both the conditionalities themselves, and the manner of their negotiation and implementation.

On the basis of these lessons and concerns, it is possible to chart a path which is beneficial to all parties. These lessons and concerns, and the future are discussed around four main issues, namely capacity, ownership and participation of stakeholders; corruption; the conditionalities; and poverty reduction.

Capacity, Ownership and Participation of Recipient-Country Stakeholders

Capacity should be seen from the point of view of the recipient governments as well as the business sector and civil society.

Capacity of Government Technocrats

The government should have strong skills in fundamental analysis based on local, current and accurate statistical information on key socio-economic indicators, the cultural context and such important socio-economic issues like the HIV/AIDS pandemic. Absence of data, inadequate negotiating skills, time and other resources often seriously affect government's capacity to carry out a situation analysis, set priorities and negotiate effectively with donor representatives.

In addition, local staff should be well renumerated and given incentives to ensure a build up of human resource capacity for sustainable periods of time. The high staff turnover among technocrats in Government and other key institutions signifies job dissatisfaction which governments should address.

In general, there should be a solid legal, regulatory and institutional framework to cope with continuous changes resulting from the speed of implementation of the structural adjustment programmes. Besides, the existence of a sound and competitive financial services sector is critical to economic development.

Capacity and Participation of the Business Sector and Civil Society

The business sector and civil society are not able to participate fully in the consultative process because they are marginalised by their governments. They are at best involved as observers. There is need for their full involvement. For this to be effective, however, groups which might not have the requisite knowledge need information and skills in order to fully participate in an effective manner.

Missions and Consultancies

There should be better co-ordination between IMF and WB missions and consultancies as their sheer numbers are increasingly overwhelming those implementing country programmes in terms of time and other costs. Besides, representatives could meet lower level technocrats instead of insisting on meeting Ministers and/or Permanent Secretaries.

Place of Negotiations

'Consultative Group' meetings, traditionally held in 'western' capitals, could be held in borrower countries instead. This may provide for more transparency and stakeholder ownership of the process. Additionally, the latters' participation could be expanded to include other ministries instead of the current focus on finance and treasury departments.

Drafting of 'Letters of Intent' and Customising of Conditionalities

There is need to have the recipient country fully and effectively participate in the drafting of the 'Letters of Intent' by making inputs relevant to the situation on the ground while the IMF and WB provide the much-needed technical expertise. This has the advantage of more accurately reflecting government policies and intentions, and helping customise the reforms. The IMF and WB may have the necessary expertise in drafting such documents but without the full participation of the recipient country, the document may not reflect recipient governments' priorities and capabilities.

Conditionalities should, therefore, be designed in the light of the different external and internal problems faced by different economies.

Domestic Accountability

Borrower governments seem accountable to the WB and IMF but not to their citizens. There is little or no involvement of other stakeholders (notably, civil society and the private sector) in negotiations and in determining whether or not conditionalities have been properly implemented and assessing their negative or positive effects.

In dealing with economic problems in any country, abuse of power must be curtailed. In this context, the issue of democracy needs to be addressed.

Future programmes should take the following into account:

- Co-ordination of WB and IMF missions visiting the technocrats implementing the programme;
- Existing levels of technical capacity in recipient countries;
- The need for a structured and sequenced approach to the liberalisation of the economy that considers its ability to absorb shocks brought about by such liberalisation;
- Devising of programmes to assist local stakeholders participate in determining the lending conditions and enable them to monitor their implementation and impact; and
- Identification of priorities by the recipient country based on local socio-economic needs, local capacity to implement and monitor conditionalities, and active participation by all stakeholders.

Response by Donor Agencies: Ownership and Participation

It is necessary to have an all-inclusive approach towards conditionalities. Since the IMF and the WB try to work within the context of governmental processes, including budgetary ones, ownership of the programmes by the governments is a key issue. Such ownership, however, is not a sufficient condition. Certain other conditions need to be fulfilled to ensure growth such as stable macroeconomic policies which promote growth as exemplified in countries with the best implementation of conditionalities, like Uganda.

To reinforce this ownership, 'Consultative Group' discussions were now being held locally, with the involvement of civil society, the business community, other government ministries and the presidents of the borrower countries.

Corruption

In order to tackle corruption, the following steps need to be taken:

- Establishment of an independent anti-corruption commission or such other body whose members should be recommended to the head of state by a committee but vetted by Parliament;
- Enhancement of remuneration for all government agents in order to remove rent-seeking;
- Removal of discretionary powers in bureaucracy and reduction in bureaucracy;
- Establishment and implementation of transparent procurement procedures;
- Approval of all budgetary allocations by Parliament, and
- Establishment of a leadership code to govern elections: all contestants should be made to declare their wealth; those who are proved corrupt should not be allowed to contest.

Conditionalities

Need for Conditionalities and New Design

On the whole, conditionalities are necessary and useful in providing a framework for growth. However, there is need to re-think both the conditionalities and the process through which the programmes are developed. In particular, there is need:

- For consistency between the conditionalities and the country's objectives of growth, employment, use of natural resources, macro-economic stability, sustainability and income distribution, domestic policy (government, fiscal and/or economic), and above all, poverty reduction;
- To address the problem of the weak economic framework, especially in the private sector;
- To have realistic development plans; development plans are necessary in principle, but faulty implementation often renders them useless;
- To have the correct mix of FDI and portfolio investment for each country;
- For flexibility on conditionalities; they should be based on a range of realistic expectations rather than on pin-point or cut-off targets, and
- For programmes to go hand-in-hand with export development, with more emphasis on access to the markets of 'developed' countries, increased internal capacity for quality control to meet World Trade Organisation (WTO) requirements, and less emphasis on simple debt relief.

In general, conditionalities should improve the development process of the country. In this context, useful conditionalities are those which relate to fiscal policies and democratisation. There is need for countries to persevere in implementing good policies and avoid stop-go tendencies. On the other hand, governments should be able to put pressure on the IMF and the WB to change their programmes when these fail to work.

The Process

The process of developing programmes and agreeing on conditionalities should begin with a national forum on the economy which involves all stakeholders. This should bring together the business community and labour, civil society in general, and the government, which should take the initiative to invite non-state actors and should create an environment conducive to their participation in the development planning process together with the donors. The process of arriving at conditionalities should be transparent. Over and above this, there is need:

- To have consultative group meetings between recipient countries and donors held within the recipient country;
- To institute a tripartite approach to consultative group meetings so that, apart from the government, the business community and civil society are also represented;
- For private sector-led technical working groups to spearhead the implementation of reform programmes;
- To have multiple targets for the programmes within a time-frame: programmes should clearly identify one-year, medium term and long-term targets;
- To publicise conditionalities after they have been negotiated save for items that could compromise the government's position (for example, tax and exchange rates).

The Future

There is need to lobby for the streamlining of conditionalities at the country level through country conferences, sub-regional conferences using forums such as the East African Community (EAC), the Southern Africa Development Co-operation (SADC), the Common Market for Eastern and Southern Africa (COMESA), and international conferences using forums such as the Economic Commission for Africa (ECA).

Consultations and lobbying should bring together the governments, the private sector and civil society groups. Once an international consensus is reached, the ECA together with other groups, such as Jubilee 2000 and Oxfam, should be given the mandate to play an advocacy role to push the activities forward. Stakeholders should then articulate their concerns and approach the bilateral and multilateral donors with one voice.

Response by Donor Agencies: Conditionalities

The IMF is rethinking conditionalities with a view to streamlining them to focus primarily on macroeconomic adjustment. It is true that conditionalities of the late 1980s did not lead to economic growth. The Fund had tried to achieve too much too fast.

It is important to stress that the conditionalities are an IMF/WB and recipient country programme. This joint ownership, however, exists only where there is capacity within

the specific recipient country. There is, therefore, need to build this capacity, and to have a situation where African governments support each other in this respect. Given good government policies, the IMF and the WB would become less important. In any case, countries have a choice to engage or to disengage. While it is true that there may not be one-to-one agreement between the IMF/WB on the one hand and the countries on the other, their positions are not diametrically opposed and thus there is always room for negotiations with the necessary capacity in place.

Poverty Reduction

Although poverty reduction should have been the focus of any reforms right from the beginning, this concern has come much later in the design of IMF and WB reform programmes. There is obvious need for the reforms aimed at growth to go hand-in-hand with poverty reduction strategies. This may help re-orient the conditionalities. For example, an economy at full employment may require macro-stabilisation policies while an economy that is not at full employment may require discriminatory allocation of resources. Such employment cannot be achieved by demand-suppressing measures or solely by market forces. In this context, most African economies need to focus more on wealth-creation and capacity building.

A second example relates to liberalisation. Liberalisation of market prices is advocated at the same time as control of civil service wages. This obviously has negative impact on domestic resource mobilisation. Decline in domestic savings is a feature of all recipient countries' economies.

A third example is the use of economic indicators that show positive gross domestic product (GDP) growth while masking the reality of everyday life for ordinary citizens. That reality is, in virtually all cases, characterised by abject poverty. Though figures on economic growth indicators are very positive, this does not reflect the actual circumstances of ordinary citizens who cannot even afford basic commodities or services.

It is necessary to take poverty alleviation seriously, to harmonise the conceptual framework on poverty in respect of its definition, setting the standards to be met and identifying the quality of services to be provided, and to subject all conditionalities to the objective of wealth-creation for the widest possible cross-section of society and alleviating poverty.

General Recommendations and Way Forward

- Conditionalities are not necessarily negative but there is need to re-think where and how they are applied. In general, conditionalities should address macro-economic issues and leave micro-economic details to be determined by the respective recipient countries.
- Each country should freely determine its development priorities, but with the participation of all stakeholders.
- There is need to ensure that conditionalities take into account the specific needs and priorities of each country, that they are flexible and are based on a range of expectations rather than cut-off points.
- In each country, there should be effective participation of all stakeholders - i.e. the government, the private sector and civil society.
- The capacity of all stakeholders to participate in the negotiations in terms of research, general knowledge and analytical and technical skills should be enhanced.
- The donor-recipient country agreement should be the result of free negotiations between the recipient country and the donors and its contents should be publicised with the exception of features which can affect its functioning (for example, tax and exchange rates).
- The review of performance should involve all stakeholders and the report should be publicised.
- The objectives of the conditionalities should be clear and should focus broadly on wealth creation and equitable distribution.
- There is need for follow-up meetings in each recipient country involving the government, the private sector and civil society to discuss the conditionalities, their implementation and their impact.

- There is need for regional meetings to bring together the respective recipient countries and focus on the results of the country meetings. Regional meetings should be organised by a neutral party (for example, the Economic Commission for Africa (ECA), the Friedrich Ebert Stiftung (FES) or Stock Exchange bodies). The suggested regional consultative process should involve:
  - Stock exchanges;
  - Central banks;
  - Ministries of finance of respective governments;
  - Civil society in general;
  - Trade unions;
  - Private sector;
  - Religious bodies;
  - Gender groups, and
  - Donors.
- Sustainability and resilience of the recipient-country economies can be achieved through export development and access to the markets of 'developed' countries.

CHAPTER TWO
BACKGROUND

INTRODUCTION

Over the last twenty or so years, multi-lateral funding agencies, notably the International Bank for Reconstruction and Development (IBRD) also known as the World Bank (WB) and the International Monetary Fund (IMF), have pegged their financial support to developing economies on a number of conditions to be fulfilled by these economies. In large measure, bilateral funding agencies – that is individual countries in Europe, America and Asia – have progressively supported the imposition of these conditions. In fact, they have themselves insisted on compliance with these conditions as a pre-requisite for financial support.

These conditions have come to be referred to as 'conditionalities'. The nature and level of conditionalities vary from one country to another, depending on the existing socio-economic circumstances of the country, the level and type of support required and the leverage the country has in negotiating with the funding agencies. In general, the conditionalities have included:

- *Privatisation* and the removal of the state from industrial and commercial activity; *liberalisation* and the removal of state control of economic activity; establishment of an enabling environment for private investment; and reduction and eventual removal of barriers to industrial and commercial activity, all of which amount to giving free reign to *market forces*;
- Reduction of *corruption* and connected political patronage;
- Reduction of the *civil service*; and
- Introduction of *political pluralism* and *democratisation*.

The relationship between the funding agencies and the recipient countries has not always been smooth. Issues have usually arisen at two levels, namely, during negotiations on the support and the attendant conditionalities, and at the point of implementation of the conditionalities by the recipient country. At whatever level the issues arise, they eventually affect the manner in, and extent to, which the conditionalities are implemented and support provided, and the relationship between the funding agencies and the recipient countries.

Anecdotal evidence suggests that the relationship between the funding agencies and the recipient countries has, on the whole, been dichotomous. In some situations, it has been positive; in others, it has been negative, giving rise to disagreements which are sometimes acrimonious.

In both situations, it is often the case that comments and arguments on the reality of the situation are generalised and theoretical, and do not clearly present the concrete reality. Issues which have arisen in the debate on these conditionalities include the following:

- What are the actual conditionalities imposed on the particular country?
- How are they categorised by both the recipient country and the funding agencies?
- How is each of them viewed by the recipient countries: 'good' or 'bad'?
- Why is each of them imposed on a particular country? What are the arguments in favour of or against each of the conditionalities?
- How, in concrete terms, is each conditionality proposed to be implemented?
- How is each conditionality actually being implemented on the ground?
- What are the difficulties experienced by the recipient country in implementing each conditionality? How are these difficulties being addressed?
- What difficulties are the funding agencies experiencing in ensuring compliance with each conditionality in each recipient country? How are these difficulties being addressed?
- What have been the consequences of non-compliance with the conditionalities?
- What have been the economic, political and socio-cultural consequences of compliance

with each conditionality in each of the recipient countries? To what extent are these consequences positive/negative?
- What is the overall view of the conditionalities by the recipient countries?
- What does the future bode with respect to:
  - the conditionalities;
  - the extent of implementation;
  - the socio-economic consequences; and
  - the relationship between the funding agencies and the recipient countries?

Noticeably, when discussions on these issues are held in the context of negotiations for support, they are usually influenced by the respective interests of the donor agencies and the recipient country. Each party, therefore, attempts to get the best for itself. When discussions are held in the context of academic seminars, there is a tendency to be theoretical, globalise the issues and generalise conclusions. It was felt, therefore, that there was an urgent need, therefore, to engage in debate which overcomes the problems of both settings and creates the bridges necessary to address the realistic and legitimate needs and interests of all the stakeholders. Such debate, it was felt, was only possible if the theoretical and academic arguments for or against conditionalities were made in the context of real-life experiences of each of the recipient countries and the relevant funding agencies. Besides, it was also deemed necessary to focus debate on each specific conditionality, so as to isolate the 'positive' from the 'negative', the 'good' from the 'bad'.

It is in this context that the Friedrich Ebert Stiftung (FES) and the Nairobi Stock Exchange (NSE) jointly organised a three-day conference to address some of the issues which arise from the negotiation and implementation of the conditionalities. The overall aim of the conference was to provide a forum for stakeholders to debate the nature, need for, implementation and consequences of donor conditionalities, and chart out a possible future direction. The objectives of the conference were:

- To identify the set of conditionalities negotiated or imposed;
- To identify the extent to which they have been implemented and the impact of such

implementation;

- To identify the negative and positive elements; and
- To identify what needs to be done to ensure that reform programmes are beneficial to both the recipient countries and the lending agencies.

Specifically, the conference:

- Received reports from selected countries on the precise conditionalities for a particular country, that country's views on each type of conditionality, and the ease or the difficulty with which such it is implementing the conditionalities;
- Received reactions from representatives of funding agencies on the different types of conditionalities applied on recipient countries, the justifications for each and the process for their implementation;
- Considered theoretical and practical arguments for and against each type of conditionality from the participating stakeholders; and
- Developed a general profile of eachconditionality and its application in different country settings.

Participants to the conference included:

- Government representatives of recipient countries;
- Academicians with relevant knowledge and experience in recipient countries;
- Civil society organisations from recipient countries, and
- Representatives of the WB and the IMF.

The countries represented at the conference were Ethiopia, Kenya, Tanzania, Uganda and Zambia.

(See Appendix III for a list of the participants of the conference).

Process

The conference began with an official opening session on Wednesday, October 24, 2001. The participants were welcome by the Chief Executive of the Nairobi Stock Exchange (NSE), Kibuga Kariithi, and the Kenya Country Director of Friedrich Ebert Stiftung (FES), Dr. Roland Schwartz. Both gave a background to the involvement of their respective institutions in the organisation and holding of the conference and briefly outlined what they hoped to achieve in the process. Thereafter, the conference was officially opened by the Kenyan Minister for Finance, Honourable Chrysthansus B. Okemo. The opening speech was read on behalf of the Minister by an Assistant Minister for Finance.

In the second session, the facilitators of the conference outlined its objectives and the process which would be followed in conducting the deliberations. They also explained the matrix for recording the main conditionalities applied in each country and their practical operation. The matrix contained four categories of conditionalities applied in the countries represented in the conference. For each country, the following information was recorded on the matrix with respect to each category of conditionality:

- Date (year) of first application of conditionality;
- Ease of implementation of conditionality, and
- Economic, social and political impacts of the conditionality.

It was stressed that the purpose of the matrix was to identify general trends with respect to application of conditionalities in the respective countries in order to provide an overview.

The information for the matrix was based on consensus between the countries' delegates and was recorded in plenary. In the fifth session, the facilitators presented a summary of the main trends derived from the information contained in the matrix .

The next two sessions received and discussed presentations from four of the five countries participating in the conference. Session three discussed presentations from Ethiopia and

Uganda, and session four those from Tanzania and Zambia. There was no official presentation from Kenya, although participating Kenyans expressed their general opinions on the conditionalities, their implementation and perceived impact.

In each case, government representatives made official country presentations. This was followed by discussant views from the private sector, civil society and WB and or IMF country representatives present. Thereafter, discussions were open to the floor.

In between these two sessions, the participants watched a play by the Kenya Association of Theatre Artistes on the vicious cycle of poverty entitled *"Daughter of the Lake and Nyamgondho son of Ombare: The pauper who got wealth and lost it."*

On the third and last day of the conference, the participants engaged in open-space discussions around three main issues identified by the facilitators, namely: capacity, new design for conditionalities, and corruption. In order to chart a way forward with respect to conditionalities, the participants, through group and plenary discussions, identified examples of useful/not useful conditionalities and discussed what should be the level of detail of conditionalities, the process which should be followed in arriving at and implementing them, and possible follow-up activities after the conference. A set of general recommendations was developed and adopted.

CHAPTER THREE

CONDITIONALITIES AND COUNTRY-SPECIFIC EXPERIENCES

THE MAIN CONDITIONALITIES

There may be different reasons for, and emphases in, the application of specific conditionalities to a country. There are, however, a number of conditionalities which are common to the countries under study, namely Ethiopia, Kenya, Tanzania, Uganda and Zambia. In summary, the reforms can be categorised into the following: trade, investment and financial liberalisation; privatisation and reduction of the role of the state; fiscal austerity and public expenditure reduction; and democratisation and good governance. Broadly, they include:

- Restoration and maintenance of macro-economic stability;
- Trade liberalisation, including the agricultural market;
- Financial liberalisation;
- Foreign exchange liberalisation;
- Fiscal policies, including tax reforms and reduction and/or removal of subsidies;
- Privatisation and the implementation of free-market policies;
- Deregulation;
- Fiscal austerity and the improvement of revenue efficiency;
- Decentralisation of elements of public service delivery;
- Civil service restructuring;
- Improvement of financial monitoring and accountability; and
- Democratisation and good governance and campaign against corruption.

IMPLEMENTATION AND IMPACT

Although conditionalities applied to different countries are generally similar in essence, their implementation and impact have been affected by various factors, including the time they were applied, the state of the economy at the time of the application, the level of the political will to implement and, therefore, the manner and extent of implementation and the reaction of the population to the application.

In respect of each country, an overview is provided of the respective conditionalities, their implementation and their impact. This overview was derived from the country presentations, discussant views, country-specific discussions in plenary and discussions around the matrix. The details in the matrix were arrived at during discussions in plenary based on the opinions of participants from the respective recipient countries, and issues raised and comments made by other participants. For the purpose of filling in the matrix, the conditionalities were categorised as follows:

- Trade, investment and financial liberalisation;
- Privatisation and reduction of the role of the state;
- Fiscal austerity and public expenditure reduction; and
- Democratisation and good governance.

(See Appendix I for the matrix)

COUNTRY-SPECIFIC EXPERIENCES

Uganda

Conditionalities

Uganda embarked on a series of economic and structural reforms beginning 1987 after decades of political instability, economic mismanagement and civil war. The overarching aim of these reforms was sustained improvement in the standard of living of the average Ugandan. The objectives of these reforms were:

- To restore internal and external economic stability and to reduce inflation through prudent fiscal and monetary management;

- To create the conditions for rapid and sustained economic growth through deregulation and other measures to stimulate private sector investment;
- To develop human capital through investments in education, health and other social services.

Structural adjustment lending to Uganda by donors was based on a set of economic and structural benchmarks. Key economic reforms include:

- Restoration and maintenance of economic stability;
- Financial liberalisation;
- Trade policy and foreign exchange reforms;
- Tax reforms; and
- Agricultural market liberalisation.

Structural reform requirements include:

- Decentralisation of elements of public service delivery to the local government level;
- Measures to improve revenue efficiency;
- Civil service reforms;
- Improving financial monitoring and accountability in government; and
- Deregulation and privatisation.

In the context of implementation of the required reforms, the following points have been noted:

- Dealing with donors requires a high analytical and technical capacity in order to create ownership of the process, a need which is lacking.
- It has been hard to deal with corruption given the power wielded by those who have stakes in its continued existence.
- Accountability is not necessarily achieved in pluralism or democracy but in reduction of corruption.
- Lack of capacity to formulate country policies locally has resulted in the donors formulating country conditionalities with no one to explain how they could be

customised to fit into the country-specific environment.

- Transaction costs of negotiations with donors are very high due to too many meetings and consultative missions by donor representatives, often from the same donor institution.
- Donor-recipient discussions rarely involve others beyond the government; the private sector and civil society do not participate in the negotiations, even though implementation of the conditionalities has a direct impact on their activities.
- Conditionalities are geared towards a macro-economic led growth; they do not address financial sector deepening, which they should if Uganda is to avoid distortions at the micro level.
- Conditionalities have brought about too much focus on budget management and, consequently, imprisoned all resultant policies within the twelve-month span.
- Some monetary targets imposed on the economy adversely affect intermediate investment decisions. Managed inflation in Uganda has led to very high cost of capital, spawning interest rates of 20-23%, for example, and necessitating that an investor can only enter into a venture that returns a profit of 20% and above.
- 12 years of conditionalities in Uganda have resulted in an increased focus on foreign direct investment (FDI) at the expense of domestic direct investment (DDI) leading to poor development of the domestic debt market.

Implementation and Impact

At the beginning, implementation of the conditionalities was difficult, since there was no consensus. The sting in terms of effects was more easily bearable since the public sector in Uganda was very small. The economy was in a shambles and once reforms began to be implemented, the economy began to improve. The Ugandan economy is not highly unionised, so it is easier to implement reforms than in other countries. The social, economic and political impacts of conditionalities have mainly been positive.

The conditionality on reduction of corruption has not been implemented.

Ethiopia

Conditionalities

The period of 1974-91 was characterised by a centralised economic system where the state played the dominant role in all spheres of economic activity. As a result, weak institutional capacity, market imperfections, structural rigidities, poor economic management and adverse externalities were the overriding characteristics of the economy.

Ethiopia has gone through three main phases in its relationship with the donor agencies since the end of military rule: 1992-95, 1996-97, followed by a breakdown in the relationship and a third phase beginning 1998.

Over the period, emphases have been placed on specific conditionalities depending on the economic and structural state at specific points in time. Overall, however, the main conditionalities applied to Ethiopia have been the following:

- Legal and institutional reform, including a framework for a market economy, decentralisation of government structures and a clear delineation of powers and responsibility between the central and local governments;
- Fiscal policy reform, including tax reform and reduction of government expenditure and subsidies;
- Monetary and financial policy reform;
- External policy reform, including exchange rates, export taxes and tariffs and external debt;
- Investment policy and industry reform, including liberalisation and simplification of procedures;
- Pricing and distribution reform, including price decontrol, rationalisation of utility tariffs, trade liberalisation, privatisation and efficient labour market;
- Private sector development; and
- Capacity-building, governance and civil service reform.

The latest phase of the programme has also focussed on poverty reduction as an important benchmark and a basis for support from the donor agencies.

The relationship between Ethiopia and the donor agencies has been especially useful in restructuring the economy away from the dominant role played by the government. Of significance is the fact that a number of the conditionalities applied by the donor programmes actually gave impetus to already-existing reform programmes initiated by the post-1991 government to address some of the weaknesses engendered by the policies of the military government. Besides, these reform programmes have given confidence to the private sector and investors. Consultative meetings which involve the government and donors are now being held in Ethiopia rather than in London, New York or Paris. There has also been a rethinking of the frequency of visits by IMF and WB representatives.

Issues of concern include:

- Generalisation of conditionalities without taking into account the needs and conditions of each specific country;
- Capacity of recipient countries for negotiation;
- The time limit within which to effect reforms;
- The negative effects that some of the conditionalities have on the ordinary people, especially in terms of increase in prices of goods and services, and unemployment;
- Massive capital outflows arising from liberalisation; and
- Exposure of young domestic industries to foreign competition.

Implementation and Impact

With the exception of fiscal austerity and public expenditure reduction, conditionalities were difficult to implement in Ethiopia. Reforms have been possible due to the commitment of the government to develop democracy and good governance and not because of conditionalities. The political impact of privatisation has been negative; public reaction against privatisation resulted in political pressure on the government to discontinue its programme. There has not been identifiable positive economic or social impact.

Tanzania

Conditionalities

Tanzania's economic crisis reached its peak in the 1980s. This crisis was manifested in a number of factors, namely: precarious balance of payments deficit, accelerating inflation, declining domestic savings, growing revenue-expenditure mismatch, declining agricultural output, decline in the utilisation of the installed industrial capacity, and poor and deteriorating provision of both social and technical infrastructure, including transport/ roads, education, health and water.

Tanzania's relationship with the multilateral donor agencies, which has gone through a number of phases, began in 1982 when it entered into a three year Structural Adjustment Programme (SAP) intended to stimulate agricultural development, improve capacity utilisation and restore financial and economic stability.

Over the period in which Tanzania has engaged with the agencies, the following, in summary, have been the main conditionalities:

- Privatisation and reforms in the financial, parastatal and civil service sectors;
- Trade liberalisation;
- Exchange control liberalisation;
- Financial liberalisation;
- Fiscal austerity;
- Price decontrols;
- Unbundling of agricultural and marketing boards;
- Monetary restraint;
- Government financial management; and
- Democratisation, good governance and fight against corruption.

Positive results arising from implementation of the programmes include privatisation of virtually all the major means of production which were under state control, macro-economic stability, promotion of higher economic growth, decline in inflation, increase in international currency reserves, increased inflow of donor funding easing budgetary pressure and removal of distortions arising from the socialist macroeconomic management. Significant negative results include massive unemployment, increased poverty and increased debt-servicing. The latter has crowded out social service provision and reduced social safety nets, thus contributing further to poverty.

The following should be noted with respect to Tanzania and conditionalities:

- After the abandonment of the Arusha Declaration, no other national framework and agenda for development were put in its place.
- There were no major problems with conditionalities as such. Tanzania's house was not in order until intervention by the multilateral donors. The mess in Tanzania was due to the break-up of the East African Community, the war with Uganda and the mismanagement of parastatals, which dominated the economy. This necessitated conditionalities.
- In Tanzania, there was no proper preparation to manage change into IMF/WB conditionalities. Tanzania accepted the conditionalities without prior preparation. The transition from *Ujamaa* to a free market economy was a rude shock causing the devaluation of the Tanzania shilling and a high unemployment rate.
- Conditionalities do not address the issue of local human resource capacity and the need to invest in people.
- Conditionalities do not look into industrialisation as an important aspect of the development of the economy.
- There is sluggishness in implementation of measures to reduce corruption, six years down the road.
- There is no involvement of key stakeholders in negotiating conditionalities. Only the government participates with the donors. Other stakeholders, like the private sector and civil society in general and trade unions in particular, are not consulted.
- There is greater transparency in economic management arising from implementation of the conditionalities.
- Although Tanzania needs funding for macroeconomic stability, its government and people are responsible for the implementation of the macroeconomic reform programmes.

Implementation and Impact

It was generally difficult for Tanzania to implement the conditionalities save for that relating to privatisation and reduction of the role of the state. Implementation of conditionalities on fiscal austerity and reduction of public expenditure and good governance was difficult only at the beginning. The social, economic and political impact of conditionalities was generally positive, whereas the impact of privatisation and reduction of the role of the state and liberalisation was negative. This was mainly as a result of the massive retrenchment that accompanied these programmes. Additionally, some of the former state-owned enterprises were privatised under less-than-transparent circumstances without the legislation necessary to allow competition being put in place. This resulted in a state monopoly being converted into a *private sector* monopoly.

Zambia

Conditionalities

Zambia's relationship with the major donors can be categorised into five phases which coincide with significant shifts in aid flows as well as the government's policy commitments to IMF and WB reforms. These are:

- 1980-83: Pre-SAPs period;
- 1983-87: Adoption of SAPs;
- Mid-1987-89: Abandonment of SAPs;
- 1990-91: Re-adoption of SAPs; and
- 1992 to-date: Implementation and acceleration of SAPs.

Since 1991, the main economic structural reforms have included:

- Decontrol of prices;
- Removal of subsidies;
- Decontrol of interest rates;
- Removal of exchange controls and floating of the currency;
- Liberalisation of the financial sector;
- Removal of quantitative restrictions on imports and exports;
- Compression and simplification of the tariff structure;
- Privatisation of state enterprises;
- Public sector reform; and
- Establishment of a capital market.

Overall, the conditionalities have required a well-functioning free-market economy, with private enterprise as the determining feature. Despite the implementation of structural reforms, Zambia has witnessed an increase in the level of poverty among its citizens

which is currently ranging between 73-80%. Where Zambia may not have implemented certain policy measures agreed on with the donors, this may be attributed to imposition of or insistence on policies which did not appear to be in the best interests of the people and the economy as a whole. Zambia is of the view that conditionalities need immediate and careful consideration as implications on member states are far-reaching and may not be compatible with their domestic economy objectives.

Some specific concerns raised with regard to conditionalities are summarised below:

- The paradigm of using demand-suppressing conditionalities when the economy is operating below full employment: the rationality of using economic indicators that show positive GDP growth while masking the reality of everyday life of ordinary Zambians;
- Massive brain drain to South Africa, vulnerability of Zambia to capital outflows, closure of firms and massive unemployment, low savings and high prices of basic commodities and such social services as education and healthcare;
- Liberalisation of market prices in a situation where control of civil service wages is also advocated, and the extent to which implementing these structural adjustment programmes has impacted on domestic resource mobilisation;
- Sequencing of conditionalities to avoid such mistakes as the liberalisation of the financial services sector without the proper regulatory framework as happened in 1991;
- Wrong forecasting of increases in 'commodity' prices which may encourage large budgets and social spending programmes, but which may be unsustainable with the drop in prices;
- Conditionalities designed from a model which leads to very high cost of money;
- Unmanaged liberalisation giving rise to financial repression which may have very adverse effects on an economy, and
- Capacity building, which is critical to fighting corruption.

All this notwithstanding, Zambia has made ample progress in governance, transparency and accountability as part of compliance with conditionalities.

Implementation and Impact

Implementation of privatisation in the non-mining sector was relatively easy compared to that of the mining sector, which proved very difficult. Fiscal austerity was difficult to implement due to the requirement to remove price controls.

Removal of price controls has given rise to high prices and speculation, since the prices are left to the market to determine, yet wages are controlled. This has contributed to the high level of poverty in the country.

On the whole, conditionalities on trade, investment and financial liberalisation and privatisation and reduction of the role of the state in the economy have had a negative political impact due to their effects on the lives of 'the common man' or the ordinary Zambian. Fiscal austerity has increased revenue collection and forced the government to focus on cash budgets and reduce spending on social programmes.

Kenya

As indicated earlier, there was no government presentation on the conditionalities in Kenya. There was, nevertheless, a general discussion on the implementation and impact of conditionalities among representatives of the Kenya civil society.

It has, generally, been very difficult to implement conditionalities in Kenya. Two schools of thought exist on the issue of privatisation: those who believe it is the solution to Kenya's economic problems, and those who believe that it is not necessarily the best alternative. The conditionalities have not been fully implemented.

Generally, liberalisation has had negative social, economic and political impact. Reduction of corruption is only starting to be tackled, albeit in a stop-go manner. It is, nevertheless, already having positive impact across the board.

APPENDIX I

Matrix Of Conditionalities

(The following ae notes to the matrix of conditionlities. See matrix on the next page)

Notable trends and contrasts

1. Trade investment and financial liberalisation:

- Ease of implementation: Negative in all cases except Ethiopia.
- Impact: Overall negative in Kenya and overall positive in Uganda; generally negative impact in Zambia and generally positive in Tanzania, and outright negative in Ethiopia.

2. Privatisation and reduction of the role of the state

- Ease of implementation: Overall negative.
- Impact: Overall positive trends in both Kenya and Uganda; similar negative trends in both Tanzania and Ethiopia, and generally negative impact in Zambia.

3. Fiscal austerity

- Ease of implementation: Uganda's outright positive and Zambia's outright negative trend and similar negative to positive trends in Ethiopia, Kenya and Tanzania.
- Impact: Overall negative in Kenya and overall positive in Uganda, negative generally in Zambia and averagely positive in Ethiopia and Tanzania.

4. Democratisation and good governance

- Conditionality applied in the 1990s, later than the others.
- Ease of implementation: Peculiar negative in both Ethiopia and Kenya.
- Impact: Positive in all cases.

Matrix of Conditionalities

Conditionality	Tanzania					Uganda					Ethiopia					Zambia					Kenya				
	period of implem	ease of implem.	social impact	econom. impact	political impact	period of implem	ease of implem.	social impact	econom. impact	political impact	period of implem	ease of implem.	social impact	econom. impact	political impact	period of implem	ease of implem	social impact	econom impact	political impact	period of implem	ease of implem.	social impact	econom. impact	political impact
Trade, Investment & Financial Liberalization	1986	+	-	+	+	1987	+	+	+ / + +	+	1993	-	-	-	-	1980	+	- / - -	+	-	1988	+	- -	- +	-
Privatization & Reduction of the Role of State	1992	-	-	-	-	1987	-	+	+	+	1993	-	-	-	-	1980	-minin / +	- -	+	-	1986	-	+	+	+ => -
Fiscal Austerity/ Public Expenditure Reduction	1986	- => +	+ => -	+	+	1987	+	+ +	+ / + +	+ +	1993	- / +	-	+	+	1980	-	-	+	-	1986	- +	- / --	-	-
Democratization & Good Governance	1990	- => +	+	+	+	1990	+	+	+	+	1993	N/A	N/A	N/A	N/A	1990	+	+	+	+	1990	- -	+	+	+
(Reduction of) Corruption	1990	-	-	- -	+	1990	+	+	0	+		N/A	N/A	N/A	N/A	1990	-	+	+	+	1990	-	+	+	+

period of implementation	**ease of implementation**	**social, econom.,political impact**
Year of first application of conditionality	"- -" very difficult	"- -" highly negative
	"-" difficult	"-" low negative
	"+" simple	"0" neutral
	"+ +" very simple	"+" low positive
		"+ +" highly positive
		"-=>+" ranging from "-" to "+"
		"+=>-" ranging from "+" to "-"

APPENDIX II

Speech by Minister for Finance, Hon. Chrysanthus B. Okemo during the Official Opening of the Conference

Mr. Chairman, Distinguished Guests, Ladies and Gentlemen

It gives me great pleasure to speak to you at this important conference on the emotive topic of donor lending conditions. My remarks will briefly touch on Kenya's experience with conditionality, ownership and implementation of adjustment programmes, and, finally, I will offer some suggestions for future engagements with our development partners.

Let me start by extending a warm hand of welcome to those participants who have travelled from afar to attend this meeting. I hope you will take some time off to enjoy the beauty of our fauna and flora and our Kenyan hospitality.

I would also like to thank the Nairobi Stock Exchange and the Friedrich Ebert Stiftung for providing an opportunity to deliberate on this important subject which has a significant effect on the governments and people of all developing economies. I am happy to note that this conference brings together participants from Ethiopia, Tanzania, Uganda, Zambia, and Kenya as well as academicians, private sector representatives, and representatives from donor agencies. I am aware that a similar seminar as this one was co-hosted by the Commonwealth Secretariat, the IMF and the World Bank in London in July this year and I hope that you will draw upon some of its findings and recommendations. I am sure that you will discard theories on conditionality and look critically at specific country presentations as you debate this matter.

The theme and timing of this conference on donor conditionalities could not have been more relevant to me as Kenya is currently trying to unlock the door chest that holds more than US dollars three hundred and eighty five million (US$ 385, 000,000) in budget and balance of payments support. These are funds held up by the International Monetary

Fund, the World Bank, the African Development Bank and the European Union, and the Department for International Development due to the non-implementation of certain conditions by Kenya. This matter is also compounded by the existence of cross-conditionalities in the funding agreements signed between the government and the so-called donors.

Ladies and gentlemen, it is now irrefutable that the proliferation of donor conditionalities has not led to any increase in the effectiveness of such conditionalities, be it from multilateral or bilateral sources. Indeed, imposing detailed and extensive conditionalities on developing countries has not been an effective solution for dealing with countries with poor records of ownership and implementation of adjustment programmes. Neither have the living conditions of the poor in these countries improved where these conditionalities have been met.

Kenya is unfortunately and unfairly grouped among countries that are referred to as 'reluctant adjusters' or 'mixed reformers'. But how does the government speedily implement a set of fundamental policy changes that have been designed elsewhere and imposed on it? The officials of the aid agencies will normally argue that Ministers of Finance of borrower governments prepare their adjustment programmes after due consultations with the staff. The concrete reality is, however, very different. It is an open secret that 'Letters of Intent' of development policy are drafted by the staff of the donor and given to the Minister of Finance to sign along the dotted line as an ultimatum. Is this not coercion?

For instance, the current IMF programme on Kenya has about 205 conditions and performance criteria. In contrast the World Bank program has about 25 conditions that are, however, referenced to the IMF conditions. These conditions include policy and legal changes in public sector, privatisation, governance, budget, financial and monetary sector, agriculture, education, health, water, roads, personal safety and security, private sector development, and even gender. There is a clear need to reduce the intrusiveness of our development partners in domestic policy-making. We should not allow donor agencies to micro-manage our economies through conditionalities in adjustment programmes. One salient feature that most of you may note regarding Kenya is that the stronger our

institutions have grown, the more difficult it has been for the government to implement donor conditionalities. Our legislature has become more assertive in the management of national affairs. So has our judiciary.

You will agree with me that ownership of reform programmes is critical and has now been accepted by the Bretton Woods institutions. It is, however, emerging that in order to make conditionalities more effective, there is need to both streamline, and promote national ownership of, reform programmes as these form part of the various conditionalities that our development partners impose. Ownership may be interpreted as willingness and commitment by countries - and not just governments, but also civil society - to accept responsibility for the reform programmes.
The question one may ask, however, is why it is necessary to have these conditionalities? If the purpose is to promote greater national ownership of reform programmes, then our development partners should:

- Be more transparent and accountable in the way they design and implement any conditionality;
- Always ensure that a range of options is available from which the authorities can choose;
- Devote more resources to capacity building in developing countries, and
- Be more aware of, and sensitive to, issues of political economy in borrowing countries.

Ladies and gentlemen, I have to single out the World Bank and the IMF because their collaboration is of great concern as their lending policies have the greatest burden of conditionalities on developing countries. Many low-income countries have to devote valuable and scarce resources to negotiating with the IMF and bank on meeting the conditionalities in their programmes. The capacity of developing countries for implementing proposed reforms is unrealistically stretched.

We do appreciate that the IMF is in the midst of a fundamental review of the policy on conditionalities attached to its financial assistance. This has been motivated by concerns that those conditions must be well focussed; that over-specified conditions can undermine country ownership, and that the fund should be focussing on its core areas of macroeconomic and related policy.

Ladies and gentlemen, Kenya's economy has been negatively affected by the stop-go relations with our development partners, who, in 1991, imposed an embargo on quick-disbursing external aid, and suspended disbursement of committed funds in 1997, and again in 2000. These actions against Kenya have been taken on account of non-implementation of various conditionalities, conditionalities that were developed and imposed on Kenyans by the development partners without wide-ranging consultations, without any regard to the practical socio-economic and political problems faced in implementing them and without any flexibility. This kind of relationship has dented Kenya's good image abroad, discouraged foreign direct investment and contributed to the economic downturn.

Kenya believes that development is determined, to a greater extent, by local conditions, including social institutions, social capacity, ethnic considerations, inequality and geographic conditions. Therefore, the approach to designing development strategies should be flexible enough to adjust to these local conditions and to include all stakeholders. A country must hold broad consultations with all elements of society while designing and implementing national strategies that balance macroeconomic and financial issues with social, structural and institutional concerns.

Ladies and gentlemen, it is in this regard that the government of Kenya is emphasising partnership between it and its citizens in developing national development strategies through a consultation process involving government, civil society and the private sector. The objective is to widen participation, inclusion and ownership of development programmes and projects all the way to the community level. Kenya's PRSP sets out clearly the development agenda, priorities, policies, programmes and projects for economic growth and poverty reduction, including a detailed and costed implementation framework as well as monitoring and evaluation mechanisms.

This then should change the relationship between the development partners and recipient countries. The relationship should then be driven by country-chosen growth-path and poverty reduction strategies. Our development partners' support should be directed to these nationally designed economic growth and poverty reduction strategies without any further conditionalities whatsoever. Continued support should be pegged to the successful

implementation of these country-owned strategies and not some amorphous conditionality set by foreign agencies without the participation of the citizenry. In fact, further conditionalities will be rendered irrelevant since through a participatory process, the citizenry will now set their own path or conditionalities, which is the implementation of priority policies, programmes and projects as identified during the consultation process.

Transparency of donors should further be enhanced by them eliminating tied aid in investment projects such that, instead of limiting procurement contracts to donor countries or a group of them, the bidding process is opened up to enable the borrower or recipient get the best value for the money. This will greatly reduce the cost of the assistance to the developing countries. In addition, technical assistance should be demand-driven, not aid-tied. Technical assistance should be incorporated into a national strategy as contained in the PRSP and the medium term expenditure plan (MTEF), with the recipient country and the citizenry deciding through a participatory process what assistance they need and who should provide it.

In conclusion, ladies and gentlemen, I would like to suggest that donor- recipient dialogue meetings should be moved to the recipient countries, which should also lead the consultations. Donor-recipient country consultations, such as consultative group, have traditionally taken place in western capitals and are chaired by the World Bank, IMF or the United Nations Development Program. Allowing meetings to be held in recipient countries and to be chaired by the recipient government can foster ownership. It will also allow participation by more stakeholders.

With these remarks, it is now my great pleasure to declare this *Conference on Donor Lending Conditions* officially open and I wish you success in your deliberations.

Thank you.

APPENDIX III
List of Participants

Andualem Tegene
Chamber of Commerce
and Trade
Ethiopia

Zwedie Shitie
Trade Unions
Ethiopia

Wanjiku Mbugua
Friedrich Eebert Stiftung
Kenya

Roland Schwartz
Friedrich Ebert Stiftung
Kenya

Kibuga Kariithi
Nairobi Stock Exchange
Kenya

Donald Ouma
Nairobi Stock Exchange
Kenya

Geoffry Onegi-Obel
Uganda Security Exchange
Ltd.
Uganda

Dickson Mbugua
Matatu Welfare Association
Kenya

Noah Chune
COTU (K)
Kenya

Atieno Ndomo
Action Aid
Kenya

Grayson Koyi
Civil Servants Union
Zambia

Peter L. Kadesha
Bank of Tanzania
Tanzania

Sam Nyantahe
Confederation of Trade
Industries
Tanzania

Patrick Malambo
Ministry of finance
Zambia

Wahu Kaara
Kenya Debt Relief
Network
Kenya

Keith Muhakanizi
Ministry of Finance
Uganda

Mark C. Temu
Ministry of Finance
Tanzania

Walter Mahler
IMF Office
Uganda

N.M. Maigai
K.W.F.I
Kenya

Vitalice Moja
Kenya Debt Relief Network
Kenya

Obadiah Msaki
Academicians and Allied Workers Union
Tanzania

Nazziwa Juliet Musoke
Uganda

Mary Kimotho M'Mukindia
Petroleum Institute of East Africa
Kenya

Polycarp Musinguzi
Bank of Uganda
Uganda

Befekadu Degefe
Ethiopia Economic Association
Ethiopia

Kelly Nkalamo
Bank of Zambia
Zambia

William Kabwe
Ministry of Finance
Zambia

F. Alland
French Embassy
Kenya

Charles Nduati
Computer Society of Kenya
Kenya

Samuel Itam
IMF, Office
Kenya

Fantahun Belew
Ministry of Finance
Ethiopia

James Adams
World Bank, Office
Tanzania

Abraham Mwenda
Bank of Zambia
Zambia

Eric Acultura
World Bank
Kenya

Edward Muchai
Nation Media
Kenya

M. Njoro
KTN
Nairobi

Tom Osanjo
Panafrican News Agency
Kenya

David Akengo
KBC
Kenya

Pocyline Kungu
People Daily
Kenya

Philip Etale
Kenya Broadcasting Co-poration
Kenya

Robert Nduwiga
KTN
Kenya

William Oeri
Nation Media
Kenya

Tom Indimuli
KBC
Kenya

James Murigi
KBC
Kenya

Muna Wahome
Nation Media
Kenya

Martin Ngure
People Daily
Kenya

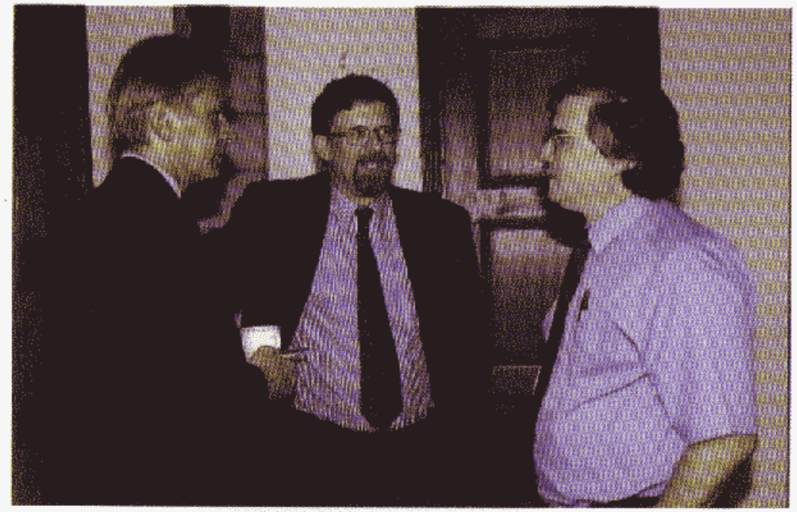
Sammy Moose
Business times
Kenya

Steve Mwei
Nation TV
Kenya

J.O. Maranga
Select & Project
Kenya

Boaz Yaya
Nairobi Stock Exchange
Kenya

Samuel M.K. Njoroge
Nairobi Stock Exchange
Kenya



FES Country Director, Roland Schwartz, with Walter Mahler, IMF Uganda rep. and Jim Adams, WB Tanzania rep.

An Ethiopian delegate shares his country's experience.