Assessing the absorptive capacity of foreign aid in the education and health sectors

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Abstract

This research paper seeks to bring light to the concept of absorptive capacity in foreign aid applied specifically to the health and education sectors. Multiple donor and recipient characteristics within a given context determine the absorption of aid. In order to establish what these characteristics may be, an extensive review of existing literature on foreign aid was undertaken in order to consolidate knowledge on frequently encountered constraints to development projects, and to explore ongoing debates within education and health aid. Subsequently, two case studies, Afghanistan and India, were selected for an in-depth analysis of constraints and determinants of the overall project success rate. The findings indicate that constraints to absorptive capacity in both sectors are relatively similar, given that these sectors face comparable demands for qualified workforces and infrastructure, the only caveat being the added difficulty of measuring success in the education sector. Both sectors suffer equally from donor-side constraints such as aid volatility and inadequate funding regimes. Hence, there are several tiers of constraints to absorptive capacity, starting at the recipient level, moving to the donor's understanding of the recipient's context, and finally the donor's own constraints. The paper ends unsurprisingly with a conclusion and policy recommendations aimed at improving recipient's workforces and infrastructure, promoting greater donor understanding of absorptive capacity and its constraints, and improving structural flexibility to adapt to emerging obstacles that inevitably arise in health and education projects.
Introduction

Understanding absorptive capacity is a challenge in itself. It is an exercise in determining that which specialized development agencies failed to identify about themselves, and about the recipients of aid and technical assistance. It involves chiefly characteristics of recipients’ countries - internal factors that increase or decrease the absorption of aid. Still, a national atmosphere conducive to aid absorption and development is not sufficient. Donors must possess the ability and insight to critique their own decision-making process, in order to determine what were the flaws in their rationale that led to a project failure. This means that not only must donors realize that their internal incentive structure and decision-making process impact the overall success of a project, but also that reevaluating their erroneous assumptions about the recipient is key to readapting the project to fit reality on the ground.

Absorptive capacity, on one side, is the ability of a recipient country to absorb aid in a way that achieves a given objective. On the other side, it involves the donor’s ability to correctly predict the recipient’s characteristics and constraints to the absorption of aid. Further, it involves donor’s decisions regarding logistics, time-span of the project, funding structure, among many others. In short, from the donor’s perspective, absorptive capacity is the ability to design an effective project, and identify the obstacles that it is likely to encounter. A country with a positive local environment may prove to be a forgiving milieu for even a poorly designed project. However, the overwhelming majority of cases points to significant constraints to the absorption of aid within the recipient country. Hence, a donor’s failure to identify these constraints inevitably leads to project inefficiencies, or flat out failures. Because of this, a donor’s capacity to predict obstacles is paramount in the design stage.

Absorptive capacity can only be understood in relation to a specific objective, it is not possible to establish a method for determining the overall absorptive capacity of a given country. The reason for this is simple: for any given objective there will be a unique set of constraints to hinder its achievement. The constraints to reducing corruption, for example, are likely to be markedly different from the constraints to promoting access to piped water. Hence, in the design stage of each project, a casuistic analysis of absorptive capacity must be undertaken. The difficulties of correctly assessing recipients’ constraints and their extent are manifold, and this activity usually becomes an exercise in trial and error. This suggests that donors must ensure their project design has enough flexibility to be reshaped in order to adapt to emerging constraints previously unaccounted for.

Having established a project goal, one can anticipate several constraints that are likely to emerge during implementation. If these turn out to be real constraints and if they were correctly accounted for during planning, then the objective is achieved satisfactorily and within time and budget allocations. When the time or budget limit is exceeded, or the main objective simply not reached, this is a strong sign of an erroneous underlying assumption in the donor’s planning. The donor must then adapt its project structure to address that emerging constraint, or abandon its previously set goals.

Theory of Change

The theory of change is a tool that explicitly states the steps that must be taken in order to achieve a specific goal or outcome. In the case of absorptive capacity in foreign aid, a project’s theory of change reflects donor and recipient rationale throughout the planning and design of a project. Imbedded in the theory of change are the assumptions that stakeholders have made in relation to how and why the planned project interventions will achieve the overarching objectives.
There are five main components to a theory of change. The first component is the inputs that are invested into the project. This step asks the question: what do we invest into this project to achieve our outcomes? Inputs are the resources and capabilities that are provided as part of the intervention in order for project activities to take place. Inputs are often the personnel, money, materials, equipment, technology, partnerships, and time that are invested from the project’s onset.

Once the inputs have been invested, the subsequent component is the outputs that are produced. Outputs answer three main questions. What do we do? What is produced? Who do we reach? In other words, outputs cover the activities, products, and participants that transform the inputs as a consequence of the intervention. Outputs are the most visible aspects of the intervention and often involve activities or tasks that create tangible goods, services, or benefits for recipient country citizens.

The third component of theory of change is the outcomes of the project. This section asks the question: what does the intervention change? Project outcomes are the ultimate results of the intervention or the difference between the pre-intervention and post-intervention state of the recipient country. Outcomes can also be referred to as the goals, objectives, purpose, or impact of an intervention. Furthermore, outcomes can be separated into short-term, medium-term, and long-term results. The short-term results focus on the immediate effect of the outputs on the people affected by the intervention. Mid-term results include the behaviors, decisions, habits, and policies that arise as a result of the intervention. Finally, long-term results include the social, political, cultural, and economic conditions that come about as a result of the intervention.

These three components capture the intervention’s physical inputs, the transformation of these inputs, and the impacts of the transformed inputs. For an intervention to progress from inputs to outcomes, however, the stakeholder assumptions must be identified and considered.

In order to transition from inputs to outputs, the donor makes several assumptions that this transition can in fact take place successfully. These assumptions are captured in the fourth component of the theory of change, which are the input prerequisites. This component asks: What else is needed to produce the outputs? Input prerequisites are resources and capabilities that follow the initial investment of inputs and are both required to create the outputs but not provided as part of the intervention. Usually, interventions are based on the assumption that input prerequisites are actually available in the recipient system.

Similarly, the fifth component of theory of change is the outcome prerequisites. This asks a similar question to the input prerequisites but at a later stage of the intervention: What else is needed to produce the outcomes? Output prerequisites are activities, goods, services, and conditions that accompany output activities, but once again are not created by or involved in the intervention. These prerequisites are required in order for the intervention to transition between output activities and the ultimate outcomes.

Both input and output prerequisites capture the assumptions that are ingrained in the user’s theory of change. Oftentimes, these assumptions are identified only once an intervention is met with an unforeseen obstacle that was not accounted for in the project planning stage. Identifying these assumptions, however, is essential to understanding a user’s absorptive capacity. As mentioned before, for any given objective, there is a unique set of constraints that may hinder its actualization. These constraints are in fact, the input and output prerequisites of the user’s theory of change that strongly impact the intervention’s ability to reach its ultimate objectives. Therefore, in order to evaluate a user’s absorptive capacity, its intervention theory of change must be examined in order for the constraints and missing prerequisites to surface.
Our paper is organized into two main sections separated by sector. Part I of each section provides an overview of foreign aid in the education and health sectors, respectively, giving a brief history and examination of aid flows within the past century. Part II features an extensive literature review on donor and recipient constraints to absorptive capacity. Part III looks at a specific case study in each sector and analyzes the project’s main objectives and the donor’s main theory of change. More importantly, this section also looks at the erroneous assumptions that donors made during the project design stage and how donors and project implementers responded once these assumptions were exposed. The education sector case study is the USAID Literacy and Community Empowerment Program in Afghanistan (2004-06) and the health sector case study is the USAID Samastha Project in India (2006-11). Finally, Part IV offers policy recommendations for both donors and recipients in order to overcome the constraints to absorptive capacity.

Ultimately, we are trying to answer the question of how donors and recipients can overcome the constraints to absorptive capacity in foreign aid. In order to do this, we must first gather empirical evidence, examine the theories of change of various case studies, and draw out the specific misassumptions and missing prerequisites that served as constraints to either the donor or recipient throughout project implementation. From there, policy recommendations can be formed to increase both donor and recipient absorptive capacity.
Assessing the Absorptive Capacity of Foreign Aid in the Education Sector

Education plays a crucial role in a country’s development. No nation has achieved sustained economic growth without having at least a 40 percent adult literacy rate.¹ Each additional year of secondary education can increase individual wage by 15 to 25 percent.² Today, education assistance is more interconnected, involving the active participation of aid agencies and governments in the developed and developing world. Furthermore, aid agencies’ return on education investment in developing countries is equally or exceedingly higher than the returns from other investments, and higher than returns to education in developed countries.³

However, foreign aid to education differs from other sectors in its susceptibility to interventionism and cultural domination, the lack of universal quality standards and accountability, and the challenge of administering, implementing, completing, and assessing education projects sponsored by aid. If we acknowledge the value of education to national economic and social development, we must then ask what the constraints to absorptive capacity in the education sector are for donor and recipient countries.

Part I. Education Aid Overview and Literature Review

Education Aid, a Historical Perspective

Education aid is a fairly recent phenomenon. It started in the 1960s when most developing countries achieved full independence. Education aid sprang from bilateral assistance agencies and multilateral organizations like the World Bank, which made its first education loan in 1963.⁴ It also gained prominence among private agencies like the Ford and Rockefeller Foundations, which in 1972 hosted a meeting with the leading international donor organizations on the topic of education and development.⁵ Initial education aid flows were devoted to investment in secondary education, higher education, and vocational education. The underlying principle rested on the notion that unlike developed countries, developing nations lacked the highly trained human capital needed to spur economic growth and development.

Aid delivery shifted from structural adjustment in the 1980s to conditionality in the 1990s. The swing to conditionality, as an attempt to maximize existing resources, can be explained in part by the end of the Cold War and the subsequent reduction of international aid. The 1990s also brought a major shift in the focus of education aid. The earlier emphasis on higher education did not generate the expected economic growth because it failed to address a more urgent and fundamental need. Most children in the developing world still lacked access to basic education. This underscored the necessity to target access to basic education in order to support country development. At the World Conference on Education for All, sponsored by the United Nations, the international aid community consented to redirect aid from higher education to access to basic education.

⁵ Ibid.
By 2000, more than 180 countries adopted the Education for All tenet at the World Education Forum. The Millennium Development Goals (MDGs) were also introduced that same year, whereby world leaders agreed that all children should be entitled to complete a full cycle of primary education by 2015. The events of September 11, 2001 reinforced international support to education by linking the benefits derived from improvements in education to the war against terror. Consequently, donors agreed to increase funding for development at the 2002 Monterrey Conference. Months later, 22 bilateral and multilateral donors initiated the Fast Track Initiative (FTI) to support countries at risk of not achieving basic education for all.6

The first decade of the new millennium proved successful in increasing access to basic education in developing countries. However, this success was met with weak results in the quality of learning. Consequently, in 2011 the World Bank adopted the Education Sector Strategy 2020 shifting its agenda from Education for All to Learning for All. The vision for the next decade underscores the importance of improving the actual learning that takes place in basic education schools around the world. The underlying premise being that development and growth are driven by what individuals learn, not merely the numbers of years spent in school.7

**Education Aid Flows**

Since 1973, education aid flows have experienced a sharp increase from US$1 billion to more than US$8 billion in 2007.8 This increase involved periods of rapid growth in the mid-70s, mid-80s and early 2000s. There were also three periods of sharp decline. The decline in the early 80s coincided with the international debt crisis in the developing world. The next drop in education aid followed the end of the Cold War and developed countries’ cuts in aid commitments. Finally, the decline in the late 90s was marked by fiscal problems in OECD countries, and a general sense of pessimism regarding the effectiveness of development aid.9

Education aid flows can also be observed from a geographical perspective. Historically, Africa has been the largest recipient of education aid. From the 1970s to 1980s, Africa received 50 percent of all education aid.10 Asia has been the second largest recipient of education aid and along with Africa, both regions account for 80 percent of total education aid (1973-2007). It is worth noting that until the mid-2000s, Africa and Asia combined were home to 91 percent of out-of-school children in the world.11

Similarly, education aid flows can be analyzed in terms of income groups. In the mid-70s more than half of education aid was allocated to least developed countries (LDCs), and 25 percent to low and low-middle income countries.12 By 2007, only 27 percent of aid was devoted to LDCs, while 61 percent went to low and middle-income countries, and 12 percent to upper-middle countries.13 The share of education aid to LDCs was cut in half, despite the fact that these countries have the largest number of out-of-school children and lowest education outcomes.

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6 Farooq, 8.
8 Farooq, 10.
9 Farooq, 10.
10 Farooq, 11.
11 Farooq, 11.
12 Farooq, 13.
13 Farooq, 13.
Education aid flows can also be analyzed by sector allocation. In response to the 1990s paradigm shift, basic education aid increased from 5 percent in the mid-70s to 22 percent in 2007. However, that same year secondary education received 15 percent of total education aid, 38 percent for post-secondary education, and 25 percent for unspecified levels. This reveals that although basic Education for All has been labeled a priority, the majority of aid is not allocated to this sector. Aid flows seem to suggest that too little aid is allocated to LDCs, which might be insufficient to meet their vast needs.

Evaluating Education Aid

Education aid is often evaluated in terms of its economic, social, and educational outcomes. Those who analyze economic outcomes link education to human capital formation and subsequent growth. Asiedu and Nandwa found that the effects of education aid on GDP growth depend on the recipient’s level of development, as well as the type of education sector targeted. They concluded that education aid for primary education in low-income countries enhances growth, as does education aid for higher education in middle-income countries. Baro studied the determinants of GDP growth in more than one hundred economies over a period of thirty years, and found education to be a major determinant of GDP growth. However, other studies have been unable to indentify a solid correlation between education and economic growth. Conflicting evidence suggests the need for continuous data collection, and further studies to determine the actual impact of education aid on growth.

The majority of the literature focuses on the social outcomes of education aid. Using data for 65 developing countries, Gani and Clemens studied the effects of foreign aid on human well being, proxied by the Human Development Index. They found a positive correlation between education aid and human well being in low-income countries. Similarly, Moe discovered a positive correlation between post-secondary education aid and human development in South East Asian countries. The literature also focuses on the positive benefits of education associated with democratization, human rights, political stability, and the positive externalities received by others and future generations. McMahon and Morrison studied how better education for mothers produces second-generation effects through better health and education for their children. Heyneman showed that better education allows families to make more educated decision in terms of family size, health and investments.

The literature also provides insights regarding education outcomes. Michaelowa and Weber found a significant and positive correlation between education aid and primary school completion, and gross enrollment rates in secondary and tertiary education. Doubling education aid can lead to an increase of net

14 Farooq, 14.
15 Farooq, 60.
20 Farooq, 23.
primary enrollment of 2.5 percent. Along these lines, Gyimah-Brempong and Asiedu showed a significant and positive effect of education aid on primary school completion and enrollment rates, finding no evidence of fungibility of aid for primary education. Looking at a panel of 94 countries, Dreher found that higher per capita aid significantly increased primary school enrollment. Analyzing 27 African countries in the period 1960-2005, Diawara observed a positive and significant correlation between education aid and primary and secondary education.

Part II. Analyzing the Absorptive Capacity of Education Aid

Recipient-side Constraints on Education Aid

This section delves into the education aid literature and identifies pre-existing recipient conditions that influence the absorptive capacity of education aid.

Health Conditions. The educational attainment and the health conditions of a population are closely associated. As argued by Miguel and Kramer, poor health prevents children from attending school. At one extreme are countries with pervasive rates of HIV/AIDS with significant numbers of infected parents and children. However, more common health conditions derive from early malnutrition, which decreases cognitive capacity, and poor sanitary conditions that increase exposure to disease. On the other hand, good health conditions help promote good educational outcomes. Thus, pre-existing health conditions and the state of the public health sector in a recipient country can affect the absorptive capacity of education aid.

Per Capita Income. As pointed out by Dreher, low-income families often times face a high opportunity cost when enrolling their children in school. The time spent in school represents a loss in potential income, as children reduce or forgo their work in agriculture or in the house. As family income level rises, the opportunity cost of sending children to school decreases. Conditional cash transfer (CCT) programs have been highly valuable in providing financial compensation for low-income families in order to reduce opportunity costs. CCT conditionality has helped retain children in school and reduce dropout rates. Addressing opportunity costs borne by low-income families is key for increasing the absorptive capacity of education aid.

Percentage of population under the age of 15. As argued by Michaelowa, Weber, and Dreher a large percentage of the population under the age of 15 puts pressure on the education system of a country. High population growth tends to demand greater resources from the public sector. When this

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29 Dreher, A. et al.
30 Michaelowa, K. et al.
31 Dreher, A. et al.
demand is met with insufficient funding it results in lower access to basic education, higher teacher-pupil ratio, and a worsened education quality. Consequently, demographic trends matter in determining the absorptive capacity of aid.

_Urban population and Infrastructure._ In general, urban centers tend to have better infrastructure than rural areas. This infrastructure is necessary to deliver basic services such as potable water, electricity, health, and education. A large urban population may decrease the need for investment in additional infrastructure to deliver basic services to populations living in more distant and isolated rural settings. The lack of adequate school buildings, equipment, and teaching materials often results in lower access and quality of education. As argued by Lyons, there is a strong correlation between the condition of school facilities and learning. The school environment tends to have a strong impact on a student’s performance and achievement.\(^3^2\) Similarly, Theunynck found that enrollment rates are consistently lower the further children live from school, but the impact varies from one country to another in Sub-Saharan Africa.\(^3^3\) Lehman also found that enrollment rates drop dramatically when school children are expected to attend school in a village other than their own.\(^3^4\) UNICEF estimated that the provision of potable water and sanitary facilities could increase girls’ enrollment from 47 to 66 percent.\(^3^5\)

In addition, school infrastructure tends to have an impact on teacher motivation and dedication. Infrastructure has been found to have a stronger correlation to absenteeism than teacher salary.\(^3^6\) The lack of basic resources hinders a teacher’s effectiveness in the classroom, which in turn hinders pupil growth and development. Without teachers, however, schools not only fail to provide education for children, but the teacher deficit also limits the subjects that these schools can offer.

In this regard, studies have found a positive correlation between school infrastructure and students’ learning outcomes. Glewwe and Jacoby found a positive correlation between repairs of leaking school roofs and availability of blackboards, and reading and math scores.\(^3^7\) Thus, the quality of school infrastructure and provision of basic services matters in determining the absorptive capacity of education aid.

_Human and Capital Resources._ Education is a labor-intensive activity with the bulk of expenditures being regularly recurrent costs, such as teacher salaries and teaching materials. These recurrent costs are central to a functioning education system and without them it is questionable if educational institutions could persist. This emphasizes the importance of having a steady flow of financial resources to ensure there is a sufficient number of teachers and didactical materials to meet a recipient country’s needs. However, the availability and quality of teachers can be weakened by poor working conditions including inadequate infrastructure, large workloads, lack of job security, or administrative support. In 2008, the UNESCO-UIS report developed an indicator to measure teachers’ workplace stability, by examining if teachers stay at a particular school for five years or longer. Many OECD

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36 Theunynck, 172.
countries reported that 90 percent of their teachers stay at the same school for five or more years. In Latin America and the Caribbean, the number is below 70 percent.\textsuperscript{38} Due to low salaries, many teachers in the region hold multiple jobs at different educational facilities, contributing to low performance and retention rates. Working conditions have a direct impact on the teacher’s experience in the classroom, consequently challenging the student’s learning environment and teacher’s effectiveness. In addition, poor working conditions not only affect the retention of current teachers, but also undoubtedly deter those who are drawn to and qualified for teaching. Thus the lack of sustained financial resources to retain human capital and improve working conditions can highly hinder the absorptive capacity of education aid.

Assessment Tools. A universal tool to assess reform sustainability in education can provide clear benefits in the areas of comparison, standardization, and implications for future reform procedures. However, designing this tool has proved to be a challenge. Developing a universal tool is an arduous process due to the number of stakeholders and ideological differences on how to structure such a tool.\textsuperscript{39} Questions regarding how progress is best measured, such as by student performance, attendance numbers, or teacher achievements prolong the development of a universal assessment tool.\textsuperscript{40} Consequently, the lack of appropriate assessment tools can also hinder the absorptive capacity of education aid.

Donor-side Determinants of Education Aid

This section delves into the education aid literature and identifies pre-existing donor conditions that have an impact on the absorptive capacity of education aid.

Recipient Need. Much of the literature analyzes the way in which donors determine their aid allocation according to recipient need. This implies that in theory, countries with lower levels of human development should receive more aid than those with higher levels of development. There are several measures used to determine need such as the Education Development Index, recipient’s per capita income, per capita education aid, and recipient education aid as a share of total world education aid.\textsuperscript{41} Evidence shows that multilateral donors such as the World Bank and the UN include recipient need when allocating education aid. A study conducted by Farooq found that a one percent increase in the need of a recipient country leads to a 1.36 percent raise in education aid from the World Bank.\textsuperscript{42} On the other hand, empirical evidence shows that most bilateral donors do not allocate education aid according to recipient need. For example, donors such as Sweden, Italy and the Netherlands do not appear to be need-oriented when allocating their education aid assistance. On the other hand, Japan and the United Kingdom appear to be exceptions among bilateral donors as their education aid allocation is sensitive to recipient need.\textsuperscript{43} The discrepancy in criteria used for allocating aid questions the methodology used to generate a good fit between donor aid and recipient necessity. A mismatch between the two can lead to a diminished absorptive capacity.

Recipient Merit. The literature also addresses education aid allocation based on recipient merit. Merit is usually evaluated in terms of the quality of governance, policies, and institutions. Farooq finds that there are sharp differences among bilateral donors in regards to allocation of aid based on merit. Few donors respond to a sound institutional environment. For example, the U.S. and Italy reward GDP per

\textsuperscript{38} UNESCO-UIS.
\textsuperscript{39} Shriberg, 268.
\textsuperscript{40} Shriberg, 268.
\textsuperscript{41} Farooq, 60.
\textsuperscript{42} Farooq, 123.
\textsuperscript{43} Farooq, 131.
capita growth and democracy in recipient countries. In the case of the U.S. a 10 percent increase in the recipient’s per capita GDP growth rate is associated with a 0.11 percent increase in education aid. In Italy a one unit increase in the country’s democracy level results in a 1.25 raise in education aid. However, it appears that for most bilateral donors merit does not factor as a key determinant for aid allocation. Consequently, considerations other than need and merit in the allocation education aid can result in a diminished absorptive capacity.

Self-Interest. The literature also studies education aid allocation based on a donor’s commercial and geopolitical interests. Several elements such as trade, recipient former colonial status, geographic location, and donor commitments in international education conferences are used to assess the role of interests in a donor’s allocation of education aid. The danger of this approach is that education aid may not be allocated to fulfill its primary purpose, but to serve non-related interests. There are four main ways in which self-interest influences education aid allocation.

a Commercial Interests. Trade is used to identify the commercial links between donors and recipient countries. As argued by Bethelemy, not all donors have geopolitical interests with a given recipient country, but they all have commercial interests. In this regard, the greater the trade link with a given donor, the more education assistance a recipient can expect. Farooq’s study shows that this is particularly true to German education aid, in that commercial interests significantly shape its aid allocation mechanisms.

b Colonial Ties. Former colonial powers often maintain political, economic, cultural, and geopolitical interests with their former colonies. These ties can affect the way in which education aid is allocated from donors to recipient countries. Evidence shows that France, the United Kingdom, and Spain have a strong tendency to allocate more education aid to former colonies. Former colonizers who share a common language with colonies may find education aid as a means of preserving their cultural influence and status. Schraeder argues that in the case of Africa in the 1980s, the main purpose of French education aid was to promote French culture. Evidence shows that a former British colony receives 37 percent more British education aid than non-former colonies. Similarly, a former French colony receives 59 percent more French aid, and a former Spanish colony 133 percent more Spanish aid than non-former colonies.

c Geographical Distance. Motivated by geopolitical interests, donors may tend to allocate education aid to countries in geographical proximity or in a specific area in order to advance national interests. Excluding the U.S. and France, donors seem to prefer recipients that are...
geographically close. For example, the majority of Japanese education aid is given to neighboring East Asian countries. In contrast, U.S. education aid is influenced by its marked strategic interest in the Middle East, as is French education aid in Africa due to its colonial past.

d Bandwagon Effect. According to Schindlmayr, there appears to be a certain level of opportunism at international aid conferences. Countries raise contributions during conferences, but decrease them in subsequent years. In this process, donors benefit from greater coverage in the media while recipient countries stand at the losing end of the bargain. In the case of the United Kingdom and the Netherlands, there is a positive and significant correlation between their education aid flows and that of other donors. In general, donors tend to follow other donors in the allocation of education aid resources.

Capacity Development and Project Ownership. In the past decade, the donor community has encouraged developing countries to create individual Poverty Reduction Strategy Papers (PRSP), which upon approval from the World Bank and IMF, are used to guide donor support. A main purpose of the PRSP process is to engage recipient countries in participation and to further develop national ownership of the project. However, to increase the opportunity for sustainable and successful project implementation, donors often require recipients to build and expand current capacity. Poorly-resourced education ministries need increased capacity in order to “appreciate the complex relationships between education and poverty reduction, undertake long-term planning, prioritize between competing demands, and so on.” But an increased focus on capacity building and technical assistance (TA) takes away from providing recipient governments with tangible funding. Consequently, recipient decision makers have less flexibility and support to carry out reforms. To counter this effect, donors often offer direct budget support (DBS) to recipient countries, but require increased accountability and monitoring systems accompanied by stronger management and leadership. DBS assistance only increases the challenges of project implementation by requiring additional capacity mechanisms. A donor’s inability to strike an effective balance between national ownership mechanisms and capacity development tools often hinders the absorptive capacity of education aid.

Mandate Scope. Both donor agencies and developing country governments have been guilty of expanding the mandate of government beyond what can be financed with domestic revenue. Thomas identifies three main ways in which the failure to adequately address the mismatch between donor and recipient resources and government mandates undermines the quality of recipient country government. Firstly, an unfunded mandate of governments in poor countries only increases recipient country government discretion to pick which policies and laws to implement. Poor governments adopt policies and institutions they cannot afford to implement or sustain, often with donor encouragement, without long-term commitments of support. This gives more power to governments as they are able to choose which policies to implement, when to do so, who will carry them out, and how they will do so. Often times, this only fuels corruption as government discretion is increased, allowing officials to sell

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54 Farooq, 131.
55 Ibid.
57 Farooq, 112.
58 Smith, 453.
59 Ibid.
60 Thomas, 9.
government implementation. Secondly, the mismatch between poor governments and donor agencies complicates and hinders government accountability.\textsuperscript{61} If recipient country governments are tasked with responsibilities that are implausible to achieve, it seems hard to blame them for failure. But as a result, government is held accountable to civil society for tasks it never had the capacity to carry out.

Finally, attempting to adopt policies and build institutions that cannot be implemented or sustained only deepens poor country dependence on foreign aid.\textsuperscript{62} While poor country dependence on donor funds gives donors more leverage to push for accountability and expanded government obligations, this is an unsustainable relationship and ultimately does not increase recipient country capacity. Radelet argues for the provision of longer-term commitments only to countries that demonstrate commitment to sound policies and institutional change. Because achieving the MDGs is a long process, long-term aid partnerships must be contingent on recipient commitment to meeting targets and continuing good governance practices.\textsuperscript{63} This underscores donors’ key role in developing appropriate mandates to avoid hindering the absorptive capacity of education aid.

Gaps in the Education Aid Literature

Literature on education aid and its absorptive capacity is relatively new and limited. This calls for more disaggregate and sector-specific studies in order to gain a better grasp of the determinants of education aid and the elements affecting absorptive capacity from both donor and recipient perspective. Much has been written on the impact of education on economic growth, but the literature must continue to quantify and determine the impact of education on non-economic variables, which are equally important to development outcomes. The literature must also address the disaggregate impact of education aid on specific sectors other than basic education, and measure its influence on secondary, higher, and vocational education.

The literature also fails to address the role of politics in the education sector. The political conditions of a country can greatly enhance or hinder the adoption of education reforms and the implementation of education programs. More specifically, teacher unions in recipient countries play a determining role in the sustainability of policy reform. In comparison to education ministers, teacher union leaders have longer tenure and are more likely to pressure ministry leaders for reform.\textsuperscript{64} Thus, it is essential for donors to take teacher unions into consideration, given their generally high levels of organization, and low aversion to conflict. In addition, much remains to be written on the impact of politics on long-term investment in education. Politicians responding to constituents and reelection pressures have strong incentives to favor short-term reforms in lieu of long-term structural changes capable of producing substantive results. Thus, failure to acknowledge the importance of political actors in the education sector hinders the absorptive capacity of aid.

Finally, the literature fails to delve into the internal decision-making mechanisms adopted by donor agencies to allocate education aid and to design programs. The internal politics of donor agencies, the structure of their bureaucracy, as well as the nature of their internal mandates are rarely taken into consideration when determining the elements that influence education aid allocation. Thus, more work remains to be done in order to bring light into these internal mechanisms.

\textsuperscript{61} Thomas, 11.
\textsuperscript{62} Ibid.
\textsuperscript{63} Radelet, 15.
\textsuperscript{64} Inter-American Development Bank. 1996, 257.
Part III. Case Study
USAID Literacy and Community Empowerment Program in Afghanistan (LCEP)

Overview

In 2003, the National Solidarity Program (NSP) was created by the Afghan government in order to reduce poverty through empowering communities in areas of governance and social, human, and economic capital. Early NSP results immediately indicated that Afghan communities could benefit from greater emphasis on literacy, intensive exposure to governance concepts and practices, and economic empowerment. As a result, USAID/Afghanistan initiated the Literacy and Community Empowerment Program (LCEP) to demonstrate the role and value of literacy to Afghanistan’s overall development, especially for the country’s rural population. Prior to this, the majority of education aid programs in Afghanistan focused solely on improving national literacy rates. However, USAID/Afghanistan designed LCEP to demonstrate how literacy skills can and must be applied and integrated with opportunities in economic empowerment and governance in order to provide communities with a strong and comprehensive development package.

LCEP was in operation from June 2004 to December 2006, funded by a US$9 million assistance grant from USAID to the Afghan government. The project was implemented by the Education Development Center, Inc. (EDC) and UN Habitat in 190 communities in the provinces of Parwan, Herat, Bamyan, Kandahar, and Farah. The main objective of LCEP was to create sustainable literacy and community development opportunities for Afghanistan’s rural population. In order to do this, LCEP featured three components with individual objectives: increasing literacy among citizens, increasing economic empowerment opportunities, and increasing government participation. Figure 1 shows the project’s overall theory of change and the specific input activities for each component.

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Flawed Assumptions

As will be discussed later, national literacy rates and civic involvement in economic and governmental activities increased as a result of LCEP activities. This indicates that both donor and recipient made several accurate assumptions in the project’s theory of change. However, throughout implementation, several obstacles arose, exposing the donor’s flawed assumptions that were imbedded in the project’s design.

Firstly, the donor erroneously assumed that LCEP’s implementation timeframe was that of both a pilot program and a long-term development program. The design of LCEP focused on community development and centered around component activities, such as the creation of community banking systems, that required a medium term intervention cycle of about five to seven years in order to ensure sustainability. However, USAID limited the program to a pilot project of no more than two years. This contradiction in program design led implementation partners to believe there to be a seamless transition from the two-year program into self-sustainable community activity. However, there was no seamless transfer and the initial program design as a two-year pilot program limited the community’s ability to self-sustain program components.

The donor also erroneously assumed that LCEP could be formally categorized as both a ‘literacy’ project and a ‘community development’ project. USAID staff who understood LCEP primarily as a literacy project used a targeted number of 9,500 literacy learners as the total number of beneficiaries. As a result, cost per beneficiary was calculated by dividing the total amount of LCEP program funds by 9,500 people. However, when the number of beneficiaries was recalculated with LCEP defined as a community development project, there were close to 38,000 beneficiaries, lowering the beneficiary cost per person from $940 to $240.

Another flawed assumption was the donor’s belief that its up-front investment in integrated materials and methodology would be instantly capitalized on upon project commencement. Many of the component activities required some form of training, whether of literacy, business practices, or governance procedures. However, the donor assumed that the material and resources required for these trainings would be ready for use as soon as implementation started. This was not the case and the first 8-12 months were spent developing trainer materials, which were not implemented until the beginning of the project’s second year.

Finally, the donor also assumed that there were effective communication mechanisms among all donor partners in order to ensure full integration of the three components in literacy, economic empowerment, and governance. The integration of these three areas was a core characteristic of LCEP. However, during project implementation, the overseeing and monitoring of activities was delegated out. UN Habitat was in charge of the governance and BDS components while EDC was responsible for all teacher trainings and literacy materials. There was limited communication among the partners, and staff often worked independently. As a result, LCEP implementation was not as integrated as intended, due to less than optimal cooperation on the donor’s accord.

There were also several component-specific assumptions that the donor mistakenly made. For the literacy component of LCEP, the donor assumed that teachers who were being trained understood both donor program jargon and training methods. What exposed this flawed assumption was the expressed interest among trainees to set aside time to debrief and provide project feedback in order to adjust the programs accordingly, as they were struggling with the new training format. In the economic

66 Janke, 31.
67 Janke, 34.
empowerment component, the donor assumed that each community had sufficient literate and numerate village members to form *Self-Help Groups*. Because much of the program depended on the initial formation of these groups, many Business Development Service (BDS) activities could not be simultaneously implemented across different communities as the donor had initially presumed, due to the disparity in literate populations within each village. Finally, in the governance component of LCEP, the donor assumed that increasing literacy rates without a baseline value for improvement enabled the community to promote governance. Many of the governance tools, however, required users to have a minimum literacy level to appropriately use these tools, such as the community self monitoring tool, the village book, and the social audit.

*Adaptation*

In July 2006, USAID requested LCEP staff to present cost and programming proposals through February 2007. Ten months later, however, USAID ordered LCEP staff to cease all project activity by December 31, 2006. The abrupt project termination left many activities at low and modest sustainability stages. Community members were both confused and disappointed as the time and effort they had invested could no longer be met with NGO support.

Given the program’s complexity and 30-month implementation period, there was little time and resources available to adapt to the obstacles that arose as a result of erroneous assumptions. Ultimately, the complexity of LCEP activities required significantly more time than two years in order to reach a self-sustainable and stable level of operation. The time cap was further complicated by a confused categorization of the project, failure to capitalize on USAID’s up-front investment, and a lack of full integration between components as initially intended.

The full extent of the donor’s ability to adapt project implementation to obstacles that arose is not clearly evident due to the short time frame. However, a few component-specific adjustments were made, reflecting the donor’s flexibility and providing a slight indication of the donor’s absorptive capacity. In response to trainee-expressed need for a forum to debrief new teaching methods, the donor implemented regular sharing sessions at the end of teaching workshops for trainees to share their experiences. Toward the end of the LCEP implementation period, the donor attempted to institutionalize these sessions in the form of Teacher Associations. The goal was to provide a sustainable forum from which teachers could advocate to government or NGOs for the provision of educational services.\(^{68}\) When the donor recognized that there was a minimum level of literacy required in order for community members to use governance tools, regular technical support was made available to assist villagers. In addition, the LCEP community self-monitoring tool was translated pictographically for non-literate users.\(^ {69}\)

*Results*

At the time of project termination in December 2006, there were 9,275 LCEP enrolled learners, 94 percent of whom demonstrated literacy and numeracy skills of a third grade level and higher. In total, 4,284 men and 4,427 women were certified as literate by the Afghan Ministry of Education. Village Teachers (VT) who enrolled in LCEP teacher training participated in an average of 35 training days during a 12-16 month project implementation. An average VT received 92 hours of in-classroom technical and administrative support. VTs demonstrated a high level of skill in the employment of LCEP curriculum, materials, and methodology in the classroom. In addition, the ongoing learner assessment

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\(^{68}\) Janke, 24.

\(^{69}\) Janke, 27.
tools served as a flexible and low-cost method of charting learner progress. Teacher and learner transitions to assessing progress took some time to adjust to the new concept of allowing student skills to develop at an individual rate but ultimately warmed to the practice of continuous assessment. Finally, Teacher Associations proved a popular and effective add-on to LCEP teacher support activities.\textsuperscript{70}

LCEP participants were able to save and borrow a significant amount through Self-Help Savings and Investment Groups. As a result of Self-Help Savings and Investment activity, 424 male \textit{Self-Help Groups} were formed in 100 percent of LCEP communities and 427 female \textit{Groups} were fostered in ninety-five percent of LCEP communities. By December 2006, participants had saved a total of $75,000. Community banks were owned and governed by community members themselves, indicating that savings and loans were based on developed trust and cooperation. Some \textit{Groups} coalesced into functional community banks and disbursed $25,000 worth of no-interest micro-loans in support of small business.\textsuperscript{71}

However, as mentioned before, the sustainability of the community banks and community-based financed activities was questionable at the termination of project implementation, due to the short timeline. At the end of the project, participants expressed frustration with the intricate administrative procedures associated with banking and requested more capital and continued training in order to keep banks alive and prosperous.

The program’s use of social auditing, village books, and community self-monitoring books improved transparency, accountability, and trust between CDCs and other stakeholders in the community. Community level governance activities were popular as evidenced by the active participation of community members. CDCs developed individual structures, roles, and relationships based on individual community members and their relationships. Figure 2 summarizes the increased delegation and linkage facilitated by CDCs. By LCEP’s termination date, 380 democratically elected CDCs were formed, with the majority of them meeting regularly and 98 percent of these meetings attended by at least half of the community.\textsuperscript{72} CDCs also facilitated the development of 371 youth committees whose members were engaged in community development projects, such as publishing newsletters for 323 CDCs. CDC newsletters and the social audit served as the most frequently used governance tools. However, the employment of tools was largely dependent on the number of literate and numerate community meetings.

Ultimately, LCEP facilitated the creation and growth of literacy, economic, and governance programs. The quality of civic education increased and the economic and governance activities provided opportunities for community members to employ newly acquired skills. However, given the truncated program period, many activities were abruptly terminated, threatening their sustainability. The implementation challenges during the truncated program period proved a substantial obstacle for the donor in achieving its original objectives. LCEP would have greatly benefited from a more realistic and appropriate time frame, which the donor was responsible for during the initial project planning and design phase.

\textsuperscript{70} Janke, 5.
\textsuperscript{71} Janke, 4.
\textsuperscript{72} Ibid.
Part IV. Policy Recommendations

Recipient-side Policy Recommendations

**Develop human capital.** Teachers are the vehicles of education and stand at the heart of human capital development, hence the importance of enacting policies to attract talent and to support, train, and retain teachers. Ideally, this would involve a multilevel approach including infrastructure development, training programs, and a fair compensation system. As we have seen, teachers need school infrastructure and didactical material to teach effectively. Without these resources, absenteeism rises and the quality of teaching decreases, affecting student learning. Similarly, teacher compensation is important and necessary but must be accompanied by effective teacher training programs. As developing countries reach the Education for All tenet, it is increasingly important to develop teacher training programs. This is a necessary precondition before making headway in the Learning for All challenge. For the absorptive capacity of education aid to improve, teachers need quality training, appropriate education infrastructure, and a fair compensation system at work.

**Engage civil society.** It is often said that transparency is the best disinfectant against corruption. Like many public services, education is not exempt from corruption. Education aid effectiveness can be improved by making information on program goals and financial disbursements readily available to the public. In this regard, the media could be used to engage civil society and increase government and donor accountability over education aid and its targeted outcomes. Parents care about their children’s education. If they are in possession of concrete information, they are more likely to get involved in the monitoring process, holding schools accountable for results. In addition, community involvement is important for reforms to succeed. The presence of a strong civil society encourages awareness and support for reform, strengthening both school and community infrastructure. Thus, greater transparency in the

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**Figure 2. CDC Activity in Year 2 of LCEP Implementation**

<table>
<thead>
<tr>
<th>Linkage Indicator</th>
<th>% Jan-March 06</th>
<th>% April-June 06</th>
<th>% July-Sept 06</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>CDC facilitates linkages to youth groups</td>
<td>78</td>
<td>85</td>
<td>85</td>
</tr>
<tr>
<td>CDC delegates planning authority for youth groups</td>
<td>56</td>
<td>55</td>
<td>55</td>
</tr>
<tr>
<td>CDC has begun formation of youth groups</td>
<td>48</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>CDC facilitates linkages with local committees</td>
<td>37</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>CDC has begun formation of local committees</td>
<td>35</td>
<td>39</td>
<td>39</td>
</tr>
<tr>
<td>CDC delegates planning authority for local committees</td>
<td>32</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>CDC facilitates linkages to community banks</td>
<td>21</td>
<td>30</td>
<td>30</td>
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<tr>
<td>CDC delegates planning authority for community banks</td>
<td>17</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>CDC has begun formation of a community bank</td>
<td>15</td>
<td>26</td>
<td>26</td>
</tr>
</tbody>
</table>


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implementation of programs and reforms as well as in the disbursement of education aid could greatly improve recipient absorptive capacity.

Donor-side Policy Recommendations

Develop appropriate assessment tools. It is crucial for donors to work with recipients to establish an effective monitoring system that evaluates the project’s progress. Donors and recipients should have a shared assessment system by which progress, results, and targets can be measured. On the recipient side, this system must be employed both on the policy making and local level. Furthermore, civil society should be engaged in monitoring education expenditures by governments in order to ensure public accountability. Several authors have pointed out the difficulty in developing a cross-institutional set of assessment tools. However, in order to gauge the effectiveness of project implementation, donors and recipients must be able to monitor the progress of the project and compare it to preset targets. Furthermore, by designing proper monitoring and assessment mechanisms that are carried out throughout implementation, recipients have more flexibility to adapt projects, based on why and how targets are or are not being met. These assessment tools are crucial for monitoring and enhancing donor and recipient absorptive capacity.

Balance capacity development and project ownership. During project planning and design, donors must often determine which is more important: ownership of the targets or the capacity to achieve them. In doing so, they must consider to what extent assistance will be Direct Budget Support (DBS), emphasizing project ownership, or Technical Assistance (TA), which prioritizes capacity development. ‘Balance’ does not imply that DBS and TA must be equally weighted to ensure successful implementation. Rather, determining the correct balance implies that donors must carefully assess recipient country past and present capacity. Furthermore, it is important for donors to work with recipients to identify barriers to involvement and participation among both government and civil society. In this regard, evaluating the governance of recipient countries is crucial for allocating ownership. Assessing past and present country characteristics and maintaining a healthy dialogue between donor agencies, recipient countries, and civil society could help strike a country-specific balance between project ownership and capacity development.

Develop appropriate aid mandates. Accepting that recipient countries cannot afford the same spectrum of resources as donor countries does not imply surrender of aspirations for development and growth. Instead, donors should develop an understanding of the history, culture, and political system in recipient countries in order to set targets that are realistic and achievable. Poor countries can reap the benefits of accountable and effective government only when government functions are in line with recipient government resources. Unrealistic education aid mandates can undermine state capacity and diminish citizen trust in the government’s ability to deliver concrete and measurable results. Additionally, education is a long-term investment. In order for outcomes to materialize, there must be a steady flow of resources to pay for the sector’s recurrent costs. When designing aid programs, donors must ensure that sufficient funds can and will be disbursed for the full completion of mandates. Donor assistance is crucial in helping recipients develop a sustainable education sector supported by government revenue and not dependent on education aid alone.

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74 Alexander, 329.
75 Smith, 453.
76 Radelet, 13.
77 Thomas, 15.
Understand the role of politics in education. The political conditions of a country are essential to consider, given that they can greatly enhance or hinder the adoption of education reforms. In the past, developing countries have been more willing to adopt economic reforms than education reforms. One possible explanation for this is that quality education reforms do not provide immediate, tangible political gains to governments. Thus, there is a strong bias towards short-term reforms rather than structural long-term reforms. A second explanation is that of clientelism. Governments, especially of developing countries, can use national education systems as mechanisms for political co-optation. Teaching positions are often given in exchange for political favors.\textsuperscript{78} Quality education reforms jeopardize government capacity to use bureaucracy for political and personal intentions.

The political relations between cost-bearing groups and state governments have a large impact on the adoption of education reforms. One powerful and prominent cost-bearing group is teacher unions. Teacher unions are an essential actor for donors to consider, given their generally high levels of organization and low aversion to conflict. When evaluating a government’s capacity to adopt educational reform, the relationships between recipient governments and cost-bearing groups with large political incentives, such as teacher unions, must be carefully considered.

\textsuperscript{78} Corrales, 8.
Assessing the Absorptive Capacity of Foreign Aid in the Health Sector

Humanitarian and development aid is often equated with the health sector. Saving lives by combating preventable diseases and alleviating illnesses is one of the primary, if not first priorities for foreign aid, as a healthy population is a prerequisite for growth and development. In the last decade, the combination of the Millennium Development Goals, an increased prioritization of the social sectors in development assistance, and the urgency of the HIV/AIDS pandemic have sparked a large increase in development assistance to the health sector. Global health initiatives such as the Global Fund to Fight AIDS, Tuberculosis and Malaria, the GAVI Alliance, and UNITAID have also been able to mobilize donors and put greater emphasis on the prevention and treatment of communicable diseases, including HIV/AIDS. Besides being a prerequisite for growth and development, health is a basic human right. Healthy populations are more productive, live longer, and save more. However, there are several constraints to absorptive capacity in the health sector, many of which are systemic and cross-sectional, and others that are specific to the health sector.

Part I. Health Aid Overview and Literature Review
Health Aid, a Historical Perspective

Since the 2000s, foreign aid has undergone a shift. Aid in the 1980s emphasized structural adjustment while the 1990s favored conditionality. The last decade has seen a shift toward donor financing of social services in sector-wide approaches (SWAp’s). SWAp was proposed as a new way to work with a developing country government to overcome inefficiencies, lack of government ownership, and other related problems. The World Bank defines a SWAp as “an approach to a locally-owned program for a coherent sector in a comprehensive and coordinated manner, moving toward the use of country systems. SWAps represent a shift in the focus, relationship, and behavior of donors and governments. They involve high levels of donor and country coordination for the achievement of program goals, and can be funded through parallel financing, pooled financing, general budget support, or a combination.” In essence, SWAps are partnerships between governments and their development partners over nationally defined programs focused on results. SWAps recognize that in the long run, the provision of social services such as health are a fundamental task of national governments.

At the same time, global health initiatives have been extremely successful in raising resources for targeted interventions on specific diseases, most notably HIV/AIDS. The sense of urgency in combating these communicable diseases has shifted the pendulum back and forth from SWAps to focused interventions. Global health initiatives are highly results-driven and in the short-term yield tangible results at times to the detriment of the entire health system. The importance of strong health systems to sustainable improvements in health remains undisputed but has taken a backseat to targeted approaches in some cases.

79 Schwank, O. “Global Health Initiatives and Aid Effectiveness in the Health Sector.” World Economic and Social Survey. 2012, 5.
82 Ibid.
83 Schwank, 4.
Regardless of the approach, the conventional wisdom has been that the better educated and healthier a population, the more productive it will be.\textsuperscript{84} There is debate whether aid promotes economic growth and studies have failed to provide robust evidence.\textsuperscript{85} Many countries have shown improvements in health with little or no economic growth, and vice versa.\textsuperscript{86} Although some studies do not find a link between aid and growth, there remains hope that aid improves health outcomes directly. Foreign aid to the health sector unequivocally saves lives by providing vaccines, eradicating deadly diseases, and improving medical services. However, making foreign aid to health more sustainable and effective while maintaining donor interest remains a challenge.

Part II. Analyzing the Absorptive Capacity of Health Aid

Recipient-side Constraints on Health Aid

This section delves into the health aid literature and identifies pre-existing recipient conditions that influence the absorptive capacity of health aid.

*Trained Workforce.* An adequately trained and qualified workforce, not only in health but also in administrative tasks, seems to be a major determinant of absorptive capacity. The existence of qualified personnel is a *sine qua non* condition for the majority of projects in the health sector, since it is one of the essential elements of the health service provision apparatus. Similarly, there also seems to be a positive causal link between the number of health workers and health outcomes. This reinforces the notion of a necessary pre-existing infrastructure in order for aid to be allocated and implemented efficiently in the field.

*Political Stability in the Recipient Country.* Also a determinant of high absorptive capacity, political stability is strongly correlated with higher levels of grant implementation. This is corroborated by general field experience, since an unstable environment usually leads to lower state capacity and efficiency, both of which affect absorptive capacity.

*Private Sector Involvement.* Perhaps one of the most significant findings of Lu *et al.* is that aid recipients in the private sector, which includes religious organizations, NGOs and private entities, show a 7.4 percent higher level of grant implementation when compared to government recipients.\textsuperscript{87} This finding makes the case for increased focus on assistance towards non-governmental actors, and thus possibly avoiding several constraints inherent to the recipient’s state apparatus. The World Bank also states the importance of the private sector, by emphasizing the contributions of private non-profits among other non-state actors.\textsuperscript{88}

*Integration with Local Infrastructure.* Private sector effectiveness underscores the fragmentation and marked disparities between and within countries. Most funds are channeled into multi-country and regional projects with little going to the actual budgets of the countries. Developing countries with this arrangement have little influence over what types of aid are administered and how. These programs often do not align with the countries’ priorities or national health plans, and hinder the development of

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\textsuperscript{87} Lu, C. *et al.*

governments’ health capabilities. Countries within a region receive marked disparities such as Zambia US$20 per person for health versus Chad with US$1.59 per person.89

Over-prioritization of key issues. Donor funding concentrated in areas such as HIV, as in the case of Cambodia, works to the detriment of other priorities. A disproportionate share of donor support for the health sector goes to HIV, while the rest of the sectors remain under-staffed and under-funded. This case demonstrates the distortions in allocation of external resources and how they disrupt the country’s health sector.90 This issue will be discussed further in the ongoing debates section.

Income per capita. Another significant finding of Lu et al. is that there is a robust and negative correlation between income per capita and grant implementation, suggesting that low-income countries in fact show a higher rate of absorptive capacity in the health sector. An income per person increase of US$1000 to US$2000 amounts to a 3 percent decrease in the rate of grant use.

National Policy. On the health sector policy level, there are many constraints that can affect absorptive capacity. Weak drug policies and supply systems, inadequate regulation of pharmaceutical, private sector, and industry practices, as well as lack of inter-sector action and partnership between government and civil society.

Donor-side Determinants of Health Aid

Grant Characteristics. Relevant grant characteristics, including the size of commitment and the number of funding rounds, have had a significant impact on grant implementation. There is evidence to suggest that the size of the grant is negatively correlated with the grant implementation rate.91 The rate of implementation is relevant to the study of absorptive capacity because a slower rate is effectively a constraint on how fast a specific goal can be achieved. Since absorptive capacity is primarily concerned with the achievement of a specific goal and not simply with the effective spending of aid, a slower rate of implementation will also decrease absorptive capacity or at least the rate at which the objective is achieved. Smaller grants may imply that money can be spent faster, which in turn achieves objectives more quickly. Therefore, smaller grants can positively impact absorptive capacity. A grant increase from US$1 to US$2 per person causes a drop of 0.7 percent in effective implementation of aid in the health sector, suggesting that several small grants could have higher rates of implementation than a few large grants.92 The number of funding rounds is related to the successful emphasis on continuity of any given project. Multiple funding rounds are associated with increased implementation rates due to gained know-how, effectiveness gains from continuity, and performance evaluations.

Donor Priorities. Related to multiple funding rounds, the donor must find the right balance between delivering short-term, high impact measurable results and more sustainable long-term whole sector approaches that focus on larger systemic problems. Short-term commitments are often at the expense of aid effectiveness and long-term transformational change but are more attractive with measurable tangible success. Long-term commitments by nature are more difficult to assess and require more patience from the donor.93

90 Ibid.
91 Lu, C. et al.
92 Ibid, 2.
Vertical vs. Horizontal Modes of Aid Delivery. One significant debate in the health literature is that of vertical versus horizontal modes of delivery of priority health services. This debate is highly relevant to the study of absorptive capacity, since it is directly related to the level of success of any given initiative. Vertical programs are those independent of initiatives in other areas and also independent of the health infrastructure of the host country. They typically address one specific issue, such as a particular disease or condition, with clear objectives and a limited time frame. The most known example of a vertical program is the global smallpox eradication program implemented from 1959 to 1977. Horizontal programs are those delivered through the host country’s health infrastructure and focus on comprehensive interventions that target a wide array of issues. Primary Health Care, a term coined in the Alma-Ata Declaration in 1978, was a program that emphasized service integration and maximizing synergies in diverse health initiatives.

The debate regarding these two approaches is multifaceted. It is claimed that vertical programs can be more effective, achieving clearer objectives in a shorter time frame. Proponents of this theory also claim that horizontal programs are unrealistic and excessively costly given the scarce resources, small number of trained personnel, and reduced infrastructure present in developing countries. The critics of vertical programs claim that these do not promote community self-reliance. When the program is terminated, the quality of health services is sure to decrease significantly. Furthermore, they claim that vertical programs are usually guilty of utilizing a one-size-fits-all approach, which fails to take into consideration local contexts during planning and implementation. This school of thought argues that horizontal delivery systems allow for a more comprehensive and holistic approach to health, centered on health needs of individuals and communities, and that can be sustainable after the end of the program. A comprehensive approach to health would also provide significant economies of scope and scale.

Another possible objection to vertical programs is that they draw resources and personnel away from other highly relevant health areas. In 2005, the United States spent 69 percent of its global aid budget for health on HIV/AIDS programs, as a result of PEPFAR. Similar initiatives, such as the President’s Malaria Initiative, have also recently been launched. When these expenditures are combined with the transfers to the Global Fund for AIDS, TB, and Malaria, it is evident that there are little remaining funds for other key areas such as child survival, maternal health and reproductive health. Further, the aid allocated to these less prioritized issues is typically off-budget and of short duration. Therefore, vertical delivery systems draw away funds from other core health areas, prioritizing one issue while undermining funding, infrastructure and available trained personnel in many others. This, if true, significantly affects a country’s absorptive capacity in the health sector as a whole. In a prioritized area, such as HIV/AIDS, absorptive capacity increases, due to the massive resource reallocation towards that field, while other non-prioritized areas suffer a decrease in absorptive capacity, due to the reduced availability of trained personnel, infrastructure, and equipment.

\[95\] Ibid.
\[96\] Ibid.
\[97\] Lu, C. et al.
Aid Volatility. Further, what the World Bank calls the “volatility of aid flows” is considered to significantly impact the effective implementation of projects.\textsuperscript{100} Factors such as exchange rate fluctuations, political and budgetary decisions by donors, administrative delays on the donor's side, and non-compliance with conditionalities cause an intermittence in aid flows that significantly affects the effective absorption of aid. This aspect of conditionality may trigger an interruption of funds due to a recipient’s noncompliance. More recently some donors have adopted conditionality with a lag, to avoid affecting the current year's budget. In this approach, donor assessments of performance are coordinated with budget cycles to minimize the negative impacts on implementation, as in the case of the World Bank’s Poverty Reduction Support Credits program.\textsuperscript{101}

Donor Multiplicity and Aid Fungibility. Multiple donors and aid fungibility are two complementary mechanisms that negatively influence implementation rates. Aid fungibility is the “diversion of funds to public expenditures other than those for which the aid is intended,” and is more likely to occur in a resource-constrained environment where aid is offered off-budget and where there are a large number of donors in the country.\textsuperscript{102} Aid fungibility, its existence, extent, and management strategies, are also a significant debate throughout the literature on health. Aid is considered fungible when it substitutes, rather than complements, health financing by recipient governments. It is a common occurrence that a country that receives significant aid in a sector, such as health, will decrease its expenditure in that sector and target it towards other priorities. This is a direct consequence of the limited accountability of aid financing, which renders tracking expenditures extremely difficult.\textsuperscript{103}

The debate in this key issue is also multifaceted. Some argue that displacement in spending "is likely occurring, but that aggregate increases in global health may have mitigated some of the crowding out effects".\textsuperscript{104} Others conclude that there is a strong substitution effect, and that the proportionate decrease in government spending associated with an increase in donor funding is largest in low-income countries.\textsuperscript{105}

Still, the majority of authors do point toward some level of aid fungibility, which results in major inefficiencies, decreased achievement of objectives, and decreased marginal gains on each dollar of aid funding.\textsuperscript{106} The proponents of this view maintain that aid must be structured in a way that better aligns donor and recipient incentives, by building on nationally-led programs, developed by the recipient country and that therefore conforms with its priorities.\textsuperscript{107} In doing so, it can be expected that aid fungibility should decrease, given that recipients will have decreased incentives to shift resources, since projects are already targeting their own perceived priorities.

Terms of Aid. Lane suggests that the terms of aid affect its efficiency. Issues such as insufficient funding, lack of alignment with national priorities, short-term financing horizons, unpredictable and volatile commitments and disbursements, and fragmented aid delivery are very real constraints in the

\textsuperscript{101} Ibid.
\textsuperscript{102} Ibid.
\textsuperscript{103} Farag et al. “Does Funding From Donors Displace Government Spending for Health in Developing Countries?” Health Affairs, 28.4. 2009, 7.
\textsuperscript{104} Shiffman, J. “Has Donor Prioritization of HIV/AIDS displaced aid for other health issues?” Health Policy and Planning, 23.2. 2007, 2.
\textsuperscript{105} Farag et al.
\textsuperscript{107} Farag et al.
effectiveness of aid absorption and project implementation. There is an overall emphasis in the literature towards longer financing horizons and the consideration of national priorities.

Gaps in the Health Aid Literature
One topic that is excluded from the literature is the concept of variance in absorptive capacity within the same sector. One clear characteristic of health aid, as has been discussed before, is that some types of initiative are prioritized over others. The clearest example of this is HIV prevention, among other similar infectious diseases. In such a setting, donor agencies and governments mobilize the majority of local resources, such as qualified health workers, towards the achievement of a goal within that given priority. This creates a drain of these same resources for other activities in the health sector, such as prenatal care. Since these local resources are highly impactful in the rate of absorption, it must be true that within the health sector, a recipient country does not possess one single rate of absorptive capacity, but several, depending on the priority placed on a given outcome.

Part III - Case Study
USAID Samastha Project in India
Overview
The Samastha project was a joint program undertaken by USAID in partnership with the Karnataka Health Promotion Trust, a local Indian health initiative. The stated objective was “to reduce transmission and mitigate the impact of HIV in selected districts of these two states [Karnataka and Andhra Pradesh], with a focus on rural, previously under-served areas.” The program’s focus on the two provinces was due to the higher prevalence of HIV in those areas. The program lasted for five years, from 2006 to 2011.

USAID viewed the pre-intervention state of the country as a full-fledged HIV epidemic, with Karnataka and Andhra Pradesh showing the highest rates of infection. Several factors contributed to the widespread HIV contagion such as high levels of migration, poverty which in turn led to sex-work and worker migration, low literacy which prevented dissemination of information on prevention, and weak state capacity.

The project’s theory of change consisted of setting up an integrated intervention program targeting rural populations. It consisted of prevention education, condom distribution, establishment of community-based treatment centers, and capacity building initiatives to strengthen local health facilities. In doing so, the project aimed at providing a holistic solution to combat the HIV epidemic in the regions.

In order to provide a wide array of services from prevention information to diagnosis, treatment, and palliative care, the program relied heavily on community involvement and local volunteers. This strategy offered many benefits, most importantly a reduced strain on program budget due to the volunteers, and also promised to achieve a strong sense of ownership from the local community.

Samastha established an independent infrastructure that aimed to provide all stages of HIV-related services to rural populations: prevention, diagnosis, counseling, ARV treatment, home-based care, and palliative care for terminal patients. Simultaneously, the project sought to build capacity in the state health system to empower it to continue the program’s activities following the withdrawal of USAID.

Flawed Assumptions

108 Lane, 4.
109 Farag et al.
The initial project design was reasonably successful in predicting local contexts. However, the donor failed to identify several issues that arose during the implementation phase. This was a direct result of several erroneous assumptions made during the design phase, which required significant strategic adaptation in later stages.

Initially, project planners assumed that conditions would be similar throughout the entire state of Karnataka, which later proved to be false. With a higher ratio of sex-workers in the southern and central parts of the province, those areas turned out to require a different approach to the intervention that was more finely tuned to the needs of a community with a much higher risk of infection. Hence, program staff and volunteers in those areas targeted only what were deemed high-risk communities, given that these would benefit the most from the project’s services, and thus the impact would be highest in these groups.

The project also underestimated the difficulties of operating outside the existing governmental structure. The strategy of establishing independent treatment centers and simultaneously promoting capacity building within the main health system proved to be significantly constrained by bureaucratic requirements. Program workers also lacked some measure of authority or legitimacy in promoting reform of governmental structures since generally the program was outside of the governmental scope.

The initial level of project infrastructure, especially supplies, proved to be insufficient, given the local community’s requirements. Community members requested various social entitlements such as food rations and widow pensions, which strained the project’s budget and inventory. Being unable to grant these requests, the donor and implementers found significant difficulty in co-opting an ideal number of volunteers, thus becoming undermanned.

Another issue was the underestimation of the detrimental effect of low literacy levels in Karnataka. The success of efforts to promote awareness and condom-use through prevention education was significantly undermined by difficulties in comprehension and information dissemination.

The project’s decision to follow national health guidelines that reflected neither best-practices nor latest knowledge concerning effectiveness also became an issue. This led to several inefficiencies that could have been prevented if guidelines were elaborated in accordance with up-to-date theories of implementation.

Lastly, USAID erroneously assumed that the project’s model would be sustainable after the agency withdrew from Karnataka. The independent structure established outside of governmental apparatus had little perspective of being maintained or kept up. Therefore, while the overall results of the project were very positive, some measure of integration with state infrastructure could have provided a better perspective for the continuation of services after the withdrawal of USAID.

**Adaptation**

The incongruence of local contexts in the province of Karnataka required significant adaptation from project implementers. The most significant realization of the first two years of the program was the importance of targeting high-risk communities rather than the general population. In areas less exposed to HIV, it became evident that the population had less incentives to participate, so there were less volunteers and less community interest. Hence, implementers concluded that high-risk populations would value the intervention more, given the high demand for diagnosis, ARV medication, and treatment. When this strategic shift was undertaken, community participation and volunteering significantly increased, health centers were strengthened and there was a heightened sense of ownership among the locals over the results achieved. This change in approach also dictated that the majority of efforts should be focused on Karnataka, which possessed a greater concentration of high-risk groups.
The strategic shift allowed for the expansion of health services offered at clinics, and the implementation of the home-based care system, in which volunteers reached out to HIV positive patients that did not possess the means or desire to go to health clinics. It allowed also a better understanding of regional peculiarities within the province, due to community mobilization, and therefore made possible for the project to adapt to circumstances.

Results

The Samastha project was highly successful in achieving its goals and in effectively reducing HIV infection and HIV-related deaths in Karnataka and Andhra Pradesh. This strong result was achieved especially after the strategic program shift in 2008, which adapted the program to local contexts. Samastha met and surpassed most original targets and indicators, and was highly effective in impacting local communities’ health standards. USAID reviews the program as making major critical contributions to each program area of HIV prevention, treatment, care and support. There are accounts that show that it is very appreciated by local government

Part IV. Policy Recommendations
Recipient-side Policy Recommendations

Focus on long-term sustainability. Many of the recipient-side constraints on health aid can be remedied by focusing on long-term sustainability. Recognizing the difficulty of aligning the goals of the country and the development partner or donor, the recipient, whether a government or local community, must advocate for long-term sustainability. Regardless if the aid is in the form of a SWAp or global health initiative, the development partner's goals must take into account the sustainability of the intervention. A conflict ensues when the development partner accountable to the donor must produce palatable results in order to satisfy the donor and in many cases to justify their intervention to the local government and the global community against the long-term interests of the recipient. This requirement oftentimes works counter to the notion of long-term sustainability of foreign aid to the health sector and creates short-sighted interventions.

The recipient-side constraints on health aid of a trained workforce, private sector involvement, integration with local infrastructure, over-prioritization of key issues, and national policy can be linked to the issue of long-term sustainability. With a better trained workforce in both healthcare and administrative tasks, the absorptive capacity of aid will increase and be more sustainable. Development partner’s eagerness to achieve high-impactful results often leads to bringing in foreign health workers to meet the program objectives in the time allotted by specifications of the program. It is far easier to administer vaccines oneself than teach locals how to properly vaccinate their communities. However, when the program leaves an area, the resources and more importantly, the knowledge, leaves as well. As far as private sector involvement, studies have shown that private sector actors are more effective in achieving solid results in health aid than when the government is tasked. The reasons behind this are that private sector actors are not mired in bureaucracy and do not have to account for the political atmosphere in a local government or community. Therefore, a myopic view would lead to the conclusion that private sector actors are more effective and dramatically increase absorptive capacity. However, in the long term, these private sector actors may, depending how much they are working with local health system, serve as a detriment to the entire system. This issue also touches on the constraints of integration with local infrastructure, over-prioritization of key issues, and national policy. For interventions to be long-lasting,
they must be integrated with the government’s efforts and the national policy so that over-prioritization
does not work to disrupt the country's health system.

The short-term solution augmented by the proliferation of vertical global health initiatives can
temporarily increase absorptive capacity while the intervention occurs but the real solution lies in the
long-term sustainability for recipients to absorb whatever aid that they may receive not particular to
specific programs when initiated by focusing on long-term sustainability.

*Focus on a bottom-up approach.* Another method to address the recipient-side constraints on
health aid is focusing on a bottom-up approach in interventions. As demonstrated in the case study,
community involvement can be very effective even if the needed infrastructure in absent. A bottom-up
approach also addresses all the constraints of a trained workforce, political stability, private sector
involvement, integration with local infrastructure, over-prioritization of key issues, and national policy.
Involving and training community members increases not only the likelihood of success but also the
longevity of the intervention through developing self-sufficiency. Using a bottom-up approach bypasses
governmental bureaucracy while integrating with local infrastructure and addressing what the community
truly needs. Political stability to an extent becomes a non-issue working at the lowest levels possible. By
listening to the local populace and their needs, there is no over-prioritization and a natural alignment with
national policy should occur by empowering the community. If private sector actors use a bottom-up
approach, the people can push their government to provide the necessary support. If a grass-root
approach is unfeasible, working at the lowest level possible could alleviate some of the constraints in a
bottom-up approach cutting out much of the inefficiency of orchestrated aid.

**Donor-side Policy Recommendations**

*Balance vertical and horizontal modes of delivery while taking account of both short-term
requirements and long-term sustainability.* Vertical programs have proven to be very successful with
clear objectives in a shorter time frame; however, sometimes at the cost of damaging the entire health
system. Horizontal modes, on the other hand, are difficult and costly with results requiring much patience
and work from donors but better in the long-term for a country. Both methods of delivery must be
balanced with a two-prong approach. Health aid needs to address not only single issues but the entire
infrastructure as well. Vertical programs are innovative in raising development finance and have been
extremely successful. Therefore, this strength must be utilized to continue to raise funds for countries in
need of health assistance. However, to attract this funding, development partners are accountable to
donors who are looking from tangible results with a short attention span. The faster results and progress
can be heralded, the more willing donors are to give more. Therefore, development partners become
accountable to the donors for their intended project and less so to the people they are working to aid. If
development partners should balance this requirement to report their donors with progress while also
laying the foundation and helping the entire health system of a country, the development partner should
satisfy both requirements. There is no doubt in the sustainability of helping develop health systems but
the difficulty and enormity of the issue should not be a reason to aim for the harder right.

*More money is not always better.* Examining the constraints of donor-side determinants of health
aid, specifically grant characteristics, smaller amounts of grants spread over a longer time-frame increase
absorptive capacity of health aid. The assumption that must be cast aside is that the more money the
global community throws at a problem, the better and faster the issue will become resolved. The premise
of absorptive capacity is about balancing need and capacity for the best results. After identifying funding
need, spreading the grants out over longer duration resolves the issue of aid volatility by providing some
consistency. In addition, better coordination among donors by controlled grants could also better prevent aid fungibility. One possible solution is ensuring development partners are responsible for multiple objectives within a single country or for multiple countries for a single issue in order to monitor the funding need of each country/objective and allot the monies accordingly. This gives the agency the flexibility to distribute the funds where they are most needed and will have the most impact without the urgency to flood a system of funds.

Conclusion
In both the education and health sectors, absorptive capacity seems largely dependent on the same fundamental factors such as a qualified workforce, infrastructure, domestic policy, and bureaucratic effectiveness. It is also subject to similar problems in both sectors, such as aid volatility, multiplicity of donors with distinct bureaucratic processes and funding regimes, prioritization within the sector in only a few key issues while removing resources from other areas. All of these issues are worsened by the constraints of national bureaucracies, which cannot effectively coordinate with the multiplicity of agencies on the ground, and cannot adapt to wide array of different funding procedures.

Further, even in the case of a country, which is able to effectively manage the agencies and incoming funding, there are still challenges. Funding for health and education can provide incentives for local governments to reduce their own contribution to those sectors, targeting funds to other key areas. In other cases, projects implemented by agencies will fail due to a lack of understanding of the situation on the ground, namely unanticipated bureaucratic setbacks or delays, unpredictable behavior in local communities such as demands for supplies, or cultural issues that prevent cooperation with the project.

Overall, most authors agree on efforts to mobilize local communities, coupled with training initiatives in order to achieve a better qualified workforce within the health and education sectors. Also, it seems widely accepted that bureaucratic challenges are often unanticipated and highly detrimental to the absorption of aid, thus stronger preliminary research in national governmental structures and procedures seems to be crucial. Lastly, aid absorption seems to be directly related with national interest in the project area. Consequently, a higher attunement with local priorities is likely to achieve stronger results in absorptive capacity and achievement of objectives.
Appendix A. Education Sector Case Study

USAID Afghanistan Literacy and Community Empowerment Project (LCEP) – Afghanistan

Theory of Change – Component One

Objective: Improve the quality of life in rural Afghanistan by increasing literacy.

Inputs
- Portion of US$9m project funding (component-specific amount n/a)
- Teacher trainers
- Curriculum writers and developers
- Literacy Kit materials: blackboard, chalk, writing implements, paper, maps, calendars, flashcards, notebooks, lesson-based short stories
- Learner Assessment Booklet: 41 assessment activities based on lesson plans
- Staff to prepare materials

Outputs
- Activities
  - Train teachers
  - Equip schools with updated resources
  - Equip Village Learning Centers (VLCs) with Literacy Kits to provide students with more public resources
  - Create assessment tool to measure learner progress
- Products
  - Updated classroom materials
  - Literacy Kits
  - Learner Assessments
- Participants
  - Teacher trainees

Outcomes
- Learning
  - Increased availability of updated educational materials and resources in classrooms and VLCs
  - Mechanism to track student progress
  - Mechanism to track quality of teaching
- Action
  - Increased number of educated students
  - Increased quality of education
  - Education policy reform regarding curriculum and assessment procedures
  - Increased teacher quality
- Condition
  - Creation of jobs in the education sector
  - Increased national literacy rate
  - Educated workforce
  - Increased quality of workforce
  - Increased quality of life
  - Increased access to education for children

Input Prerequisites
- Teachers understand training program jargon and best practices
- There is sufficient time for teachers to provide feedback
- Trainers, training material, and staff members are knowledgeable and qualified to train.

Output Prerequisites
- Incentives for teachers to stay in the profession
- Students know how to use updated resources
- The Learner Assessment Tool is consistently applied and interpreted by all users
Theory of Change – Component Two

Objective: Teach best business practices and strengthen economic activity in rural communities.

Inputs
- Portion of US$9m project funding (component-specific amount n/a)
- LCEP-trained literate community members
- Administrative personnel to organize community groups
- Program-monitoring staff
- Business Development Services (BDS) trainers
- Self-help group formation and management trainers
- Credit and accounting management trainers

Outputs
Activities
- Create Business Development Services (BDS) training for citizens
- Organize community into Self-Help Groups according to priorities to encourage savings
- Create community banks
- Task group member in each village to lead Self-Help Group Bank

Products
- Community banks
- Self-Help Groups

Participants
- Community members
- Community leaders

Outcomes
Learning
- Development of individual and community savings and investment practices
- Use of recently acquired literacy skills in Self-Help Group activities
- Identification and growth of individual leaders within community via Self-Help Group activities

Action
- Increased community and individual savings
- Increased number of community Self-Help Groups and Group leaders
- Development of community accountability in financial matters
- Establishment of a basic banking system

Condition
- Increased investment opportunities
- Increased entrepreneurship
- Established community banking systems and procedures

Input Prerequisites
- BDS activity is implementable across all communities
- Sufficient number of literate village members to participate in community Self-Help Groups
- Trainers, training material, and staff members are knowledgeable and qualified to train

Output Prerequisites
- Availability of financial and technical support to sustain Self-Help Groups post-implementation
- Sufficient personnel and infrastructure to establish and operate community banks
Theory of Change – Component Three

Objective: Increase the number of stakeholders participating in community-level governance activities.

Inputs
- Portion of US$7m project funding (component-specific amount n/a)
- LCEP-trained literate community members
- Governance practice trainers
- Progress report templates for Community Development Council (CDC) social audits
- Published and distributed Village Book templates
- Technical support to CDC throughout use of new tools
- Community self-monitoring tool

Outputs
Activities
- Train CDC members in governance practices
- Create Village Book to collect village data
- Hold regular community meetings
- Conduct social audits
- Develop youth groups
- Create Community Development Fund (CDF)
- Track CDC progress and encourage growth

Products
- Village Books
- CDF

Participants
- CDC members and leaders
- Community youth

Outcomes
Learning
- Mechanism for community to track CDC activity
- Use of recently acquired literacy skills in CDC activities

Action
- Establishment of accountability and transparency between local government and citizens in community services and activities
- Routinized practice of community forums
- Increased youth participation in CDC programs
- Increased community member opportunities for leadership and participation in local government

Condition
- Expanded leadership pool and capacity
- Increased democratic procedures
- Establishment of community rule of law
- Increased civil society awareness of and participation in local government services

Input Prerequisites
- Increased literacy rate alone enables community members to provide governance services
- Trainers, training material, and staff members are knowledgeable and qualified to train.

Output Prerequisites
- Availability of financial and technical support to sustain CDC and CDC services post-implementation
- Community accountability is constantly evaluated
- Competent personnel to maintain Village Books
Appendix B. Health Sector Case Study

Theory of Change

Objective: Reduce rate of HIV infection and HIV-related deaths and strengthen state health systems in rural India.

Inputs
- US$22m
- Prevention information
- Condoms
- ARV medication
- Qualified education trainers
- Qualified patient trainers
- Qualified technical assistance (TA) providers
- Diagnosis and treatment equipment and materials

Outputs

Activities
- Distribute condoms
- Counsel HIV+ persons
- Provide TA to state clinics
- Provide home-based care
- Train education staff
- Instruct sex-workers on negotiation strategies for condom use with clients

Products
- Integrated Counseling and Testing Centers (ICTC)
- Anti-Retroviral Treatment Centers (ART)
- Community Care Centers (CCC)

Participants
- High-risk citizens
- Education staff

Outcomes

Learning
- Increased prevention awareness
- Increased outreach to HIV+ communities that do not have access to clinics
- Improved sex-worker ability to negotiate condom use
- Better technical knowledge of state clinics

Action
- Increased condom use
- Increased rate of HIV+ persons seeking treatment
- Improved administration of state health services

Condition
- Substantial decrease in rate of HIV infection
- Definitive containment of HIV epidemic
- Reduced HIV-related deaths
- Lower health-care costs for government
- Improved quality of life for both HIV+ and HIV-persens

Input Prerequisites
- Similar conditions in both Karnataka and Andhra Pradesh
- Ample availability of community volunteers
- Bureaucratic structure is conducive to health reform
- Sufficient scope in training modules

Output Prerequisites
- Willingness to use condoms among citizens
- Continuous supply of ARV medication
- Continued state investment in HIV treatment
- Project sustainability post-program implementation
References


Farag *et al.* "Does Funding From Donors Displace Government Spending for Health in Developing Countries?" *Health Affairs*, 28.4. 2009.


