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CHAPTER 1

INTRODUCTION
1.1 Problem Description and Relevance

Yemen is a ‘poor state’ and the only low-income country in the Middle East. It faces plenty of challenges, consisting of poverty, corruption, social and political unrest and more recently security. These problems can lead to violence and crush livelihoods, jeopardizing citizens, regional neighbors, and the wider world. The state of Yemen is unable to govern its territories well. It is a spawning ground for global threats like terrorism, drug trafficking, environmental devastation, and disease (Brainerd and Chollet 2007). Terrorism remains a major problem for the nation, with the country being a target for terrorist attacks and a potential safe haven for terrorist groups, who use Yemen as a logistical base for arms smuggling and recruiting terrorists to train them for worldwide terrorist attacks (Vieira, 2006:12). Moreover, the strategic geographic location of Yemen increases its security risks. The country overlooks the Red and Arabian Seas, as well as the Strait of Bab El Mandeb, which links the Red Sea with the Gulf of Aden. Yemen is one of the world’s most active shipping lanes, where oil is exported from the Arab Gulf countries to destinations in Europe, the United States, and many other countries in the world. In this way, the country affects the global economy. Ships traveling in these waters cost more money due to the extra travel time, ships are diverted around the Cape of Good Hope (Aloyo, et al: 2010: 12).

Map 1.1: Shows the Strategic Geographical Location of Yemen

Source: Chossudovsky (2010), Center for Research on Globalization

In an era where territorial boundaries are blurred and where global instability and terrorism prevail, the need for good governance is an important condition for developing coherent economic and social structures. Fighting against global poverty

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1 - In looking at “the global costs of maritime piracy, we take the largest insurance premiums related to piracy (war risk and K&R) and multiply these rates by 90% of the total ship traffic transiting the high risk region of the Gulf of Aden (around 30,000 ships)” (Aloyo, et al: 2010: 12). For a more thorough computation of the cost of re-routing per ship, see BIMCO's calculator which can be used for precisely this measurement. See: BIMCO, “Need for rethinking about when to sail around the Cape of Good Hope?” April 2010, https://www.bimco.org/Members/Reports/Shipp- ping_Market_Analysis/2010/04/23_Need_for_rethinking.aspx.
Chapter 1

through the promotion of public sector reforms and sustained economic development in Yemen has therefore “become increasingly necessary—not just because morality demands it, but for reasons of global security” (Gbara, 2008:10). In the past two decades, major donors have organized several international conferences to mobilize the international efforts towards promoting a good governance agenda and building state capacity in Yemen, including in New York (2012), London (2006, 2010), Yemen (2007), Paris (2002), Brussels (1997), and The Hague (1996). Several international and regional donors participated in these conferences, including multilaterals like the World Bank, the United Nations, the European Commission, regional Arab funds (e.g. Arab Fund, Islamic Bank, OPEC) and individual countries like Germany, Holland, the United States and recently the United Kingdom. The aggregate volume of donors’ financial commitments to Yemen during these conferences, in the form of aid, grants, and soft loans amounted to nearly 18 billion U.S. dollars:

Figure 1.1: Aggregate Volume of Donors’ Commitments to Yemen 1995-2012 (M $)

On the supply side, the above figure 1.1 shows that financial commitments of donors to support the development process in Yemen have markedly increased, triggered by the events of September 11 2001. Therefore, we can draw the conclusion

2 - Before 9/11, and especially during the Cold War, foreign aid was at times used as a tactic to build strategic alliances or “buy” elites, gain political influence and various economic benefits, and thus influence affairs in third world countries. The effects on development were viewed as secondary (Mahanty, 2010). After 9/11 however this approach is no longer acceptable because the importance of most poor nations for global security has risen significantly. Policymakers in donor countries realize that there is a delicate and an accurate connection between terrorists and weak or poor nations (Lancaster, 2007). Most poor states have served as attractive safe-havens and staging grounds for worldwide terrorist attacks. They afford terrorists easy access to valuable resources which help finance their activities (Akramov, 2006: 3). The rhetoric of foreign aid has been increasingly shifted towards addressing the problems of bad “governance” in poor nations: to build administrative systems and government bureaucracies, to increase public services delivery, to boost institutional and economical capacities and to reduce poverty and keep it down (de Haan, 2009: 8).

3 - Sources: self; Ana Echagüe, 2006, Researcher, FRIDE: 154-162; ROY: MOPIC, 2006-2012; ROY: CB, 1995-2012; ROY: COOAC, 1995-2012 and ROY-MOF 2002-2011; data of the related conferences published online. These figures are estimated by myself, but the total number of development aid allocation to Yemen is almost correct according to many sources. It is worth noting that some of the conferences mentioned above were just to check what has been done in the former conferences and there were no financial commitments.
that donors are very keen on interests of national security and decide on the allocation of aid accordingly. The aggregate volume of donor commitments to Yemen made at the conference in The Hague (1996) amounted to nearly 500 million dollars. The aid volume increased significantly after the terrorist attacks on 9/11. At the Paris conference in 2002, the volume of aid was around 2300 million dollars, and rose to 5700 million dollars at the conference of London in 2006. This increase has to be seen in the context of the increasing threat of Al Qaeda in the Arabian Peninsula (AQAP). In 2011, commitments increased dramatically up to 7800 million dollars at the NY conference, reflecting the efforts to restabilize the country after the Arab Spring of 2011.

These financial flows are meant to assist the Government of Yemen (GoY) to adopt the panacea of good governance, through an improvement of its public sector performance. The GoY has constructed several visions, missions and strategies to carry out highly-needed reforms in different public sector institutions. On paper, strategies so far have included democratization, decentralization, privatization, streamlining the financial sector, e-government, commencing salaries and wages strategies, civil service, capacity building and training of educators on all levels. The aim of the reforms is to improve the quality of governance, streamline the government’s role as well as the number of employees in the public sector, improve management of human and financial resources, and to change processes (GOY, 2001 [A] & [B]).

Although many of these reform programs seem extremely impressive on paper, creating hope and prospects for a better future in Yemen, the real effectiveness of these aid programs is questionable. Public sector reform and public life in Yemen is a “bewildering paradox” that needs more attention. Despite the past two decades of public reform, government agencies still perform poorly and there are dismal economic and social conditions. Aid programs and projects have often failed to meet desired expectations, as they did not have any meaningful impact on poverty or effect many social and economic indicators (See Chapter 6). Yemen has yet to witness any major improvements in its development outcomes which could have a meaningful impact on security and stability. The absence of results corrupts the strategic objectives of donors. The worrisome development outcomes have helped to sow the seeds of the recent Yemeni revolution (2011)-which is ongoing. Unfortunately, donors could not prevent Yemen from falling back to an almost “failed state”.

Against this background of aid ineffectiveness, this dissertation is an attempt to

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4 -We mentioned before that the aggregate volume of donors’ financial commitments to Yemen, in the form of aid, grants, and soft loans have amounted to nearly 18 billion U.S. dollar in the past fifteen years.
add one piece to the foreign aid puzzle by investigating a simple question:

Why are foreign aid programs ineffective in prompting public sector reform in Yemen despite all the resources involved in the business of aid over the years?

This question is not limited to the Yemeni context, but applies to many poor nations where the effectiveness of foreign aid activities is equally unsettling. In investigating how real reforms can be absent despite the availability of enough resources, the findings from the Yemeni case study have value for other similar cases.

1.2 Why Aid Programs and Projects are Ineffective: Past Explanations

Despite the efforts of researchers and practitioners in the foreign aid discourse to answer this pressing question, the outcomes appear to be unsatisfactory. Ostrom (2005) argues that “almost every part or process of the aid system has been criticized: from the geopolitical agenda of donors to the distributive politics of recipient countries; from the ties that bind aid to procurement, to private firms in the donor's country, from constraints on the power of decision-making bureaucrats to the type of accountability demanded” (2005: 5). However, aid ineffectiveness is still an unresolved problem. Many scholars that adhere to the public choice approach (PCP, see Chapter 2), the most critical approach towards foreign aid, argue that causes of the shortcomings of foreign aid programs are manifold, ranging from weak policies and institutions in recipient countries to problems within the donor countries, and the aid agencies themselves (Monkam, 2008: 2; Lancaster, 2007: 82-83).

Much of the focus of macro studies has been on the poor policy environment and bad governance as an explanation for the disappointing performance of aid programs in recipient countries (World Bank 1998; Lancaster 1999, 2007; Easterly 2006, Ear, 2006, and Alesina and Dollar, 2000). Bad governance is regarded as an “uphill battle” that must be fought by aid programs in order for them to be effective. Donors talk about the promise of governance reform that would remedy a host of administrative, social, political, and economic problems, but they cannot deal with these problems.

Many studies analyze how the good intentions of donors can in fact harm poor nations. There is no lack of evidence to prove the argument that foreign aid is trapped in a “vicious cycle”. Poor nations have become increasingly dependent on foreign aid, with governments reducing their efforts to reform the markets, even though these reforms are necessary to enhance production and tax income in the rest of the economy. As a result, aid is diverted to government expenditure (Bauer, 2000). Foreign aid is effectively fungible and can be used by recipient governments to finance
unproductive consumption (Bearce and Daniel, 2010). One of the strong contemporary critics of foreign aid is William Easterly (2006) who has written several books related to the subject of foreign aid effectiveness. The general argument of Easterly and his followers (contemporaries) is that substantive aid flows contribute to the failure of development in many poor countries because it enlarges government bureaucracies, perpetuates corruption and enriches the existing elites. Easterly states that foreign aid activities in poor nations are unquestionably doing more harm than good. Supporters of this perspective go even further and argue that foreign aid should stop altogether to avoid damage to people in poor nations.

It can be countered however that donors can continue to give aid but with the use of the sticks and carrots to force reform. Donors can threaten to stop the influx of aid if a country does not meet the imposed conditions (Bearce and Daniel, 2010). According to PCP proponents, this method is a way for donors to tie their aid to selfish interests, such as political, strategic, commercial, cultural, and religious aims. Donors have more to win with the achievement of these egoistic interests than their small interest in holding recipient countries accountable for achieving something productive with aid (see for example, Jason Sorens, 2007; Easterly, 2005, 2006, 2007; and Stephen Browne 2006). Egoistic interests of donors work against the altruistic objectives of aid, and rather harm the outcomes of aid projects, reducing the effectiveness of aid interventions (e.g., Lancaster 1999, 2006; Easterly 2006, Lindsay Whitfield, 2009).

Even when we have some donor countries who intend to give aid free of egoistic interests, there may also be a conditionality problem stemming from the fact that the aid agencies have a vast bureaucracy more intent on justifying its “bureaucratic existence” than helping the poor (Bearce and Daniel, 2010). Bureaucrats of aid agencies perform their functions in the recipient countries without minimum standards for transparency and without being accountable. They are occupied with the art of convincing that aid programs are effective and successful in achieving altruistic objectives. Development aid officials consider aid as a “profitable business” that should continue to run (Hancock, 1989). According to Hancock (1989), foreign aid becomes nothing more than “a transaction between bureaucrats—a deal which gets done, in the name of others, by intermediaries and brokers. The real stakeholders in the affair, namely the taxpayers in the wealthy countries and the poor in the South, are treated as though they are somehow incidental to the main event” (Hancock, 1989: 62).
The PCP approach rejects foreign aid because it says it may not improve an environment that has poor governance. Moreover, foreign aid is an extension of economic and security interests abroad and does not care for accountable productivity in the public interest. More aid to a country negatively influences effectiveness.

1.3 Focus of the Dissertation: the Synthesis of the “Local Knowledge Syndrome”

In this dissertation we argue counter to PCP theorists and say that aid can promote development and aid programs can certainly work to achieve satisfactory results despite the poor quality of governance in recipient countries. With the right intentions underlying the work of many donors wanting to help disadvantaged people in poor nations—aid could very well flourish provided that they reach out to local knowledge. Aid practitioners and those in charge of development policies at the highest institutional levels would be in touch with reality and start incorporating “local knowledge” at different levels of project design and implementation.

In later chapters we discuss fully what “local knowledge” is. Here it is suffice to say that local knowledge involves analyzing and understanding formal organizations and institutions, which is also called “explicit-knowledge”, and secondly and equally importantly, is the knowledge of informal organizations and institutions called “implicit-knowledge”. This exists in the range of public and private spaces that deal with aid policy implementation (North, 1990, Scoot, 1998, Barnard, Cheste, 1965, and Polanyi, 1958 & 1966).

The quality of knowledge and ideas that inform foreign aid donors can seriously affect the course of the aid program in the public sector, and consequently aid effectiveness. As is true in many poor nations, the relative lack of resilience of the formal institutions and organizations is a notable feature. This is not true for the informal institutions and organizations in the public sector that function intensively besides the formal structures. There is what I call ‘the rule of the game’ that has a strong grip on all matters that relate to development aid. The power of Yemen’s formal state institutions and organizations is far less than it appears to be on paper, and they are subservient to the interests of informal institutions and organizations (Phillips, 2011: 11). To understand the dynamics of the Yemeni public sector one must look beyond written laws, regulations, institutional rules and procedures, and examine the informal rules of the game that govern organizational and individual behavior. These informal structures are similarly reflected in the distinctive informal styles of decision-making, management functions and interpersonal relations of
The informal structures of the public sector are heavily influenced by socio-political factors such as tribal structure and the traditional culture, values, norms and expectations of the Yemeni people.

The Local Knowledge Syndrome (LKS), which refers to the lack of local knowledge in aid programs, is worth considering by foreign aid officials because development economics alone will not help to understand aid’s ineffectiveness in the public sphere. Economic scholars and experts who are appointed by aid organizations do not generally focus on behavioral issues like motivation and social expectations of key organizations and individuals. Understanding governance in Yemen, especially the public sector reforms at stake, requires scholars and experts of public administration, politics, history, sociology, anthropology and other social sciences. Most economists lack the relevant background to understand the full complexity of the social dynamics and deeply-rooted value patterns of the poor (Jenkins and Plowden, 2006).

One objective of this dissertation is to generate practical and theoretical understanding for practitioners and foreign aid thinkers (economists), who deal with reforming the public sector and in particular those who are concerned with capacity building. If we look at the content of countrywide aid policies, there is a growing appreciation that policy depends on institutions for implementation – “but no one has figured out how to create those institutions successfully in inhospitable political and social climates” (Einhorn, 2001, as cited in Jenkins and Plowden, 2006: 28). The initiators of development aid have a strong idea about helping recipient countries establish strong and high quality governance institutions, but they are less clear on how to achieve this (OECD, 2001, and UNDP, 2006). There is a practical knowledge deficiency, as most practitioners do not know how to bring about sustainable institutional changes (Jenkins and Plowden, 2006: 13).

The other objective of this dissertation is to analyze factors in aid policy design and implementation that could unquestionably affect the realization of incorporating local knowledge. Development policy is constructed in three different stages. At the top, there is the policy-making level that is responsible for constructing aid policies and planning. In the middle, there is the management level that is responsible for the design of the implementation procedures. Finally, there is the operational level that is responsible for the execution of aid programs (Jaradat, 2008). I expect that local knowledge can be gradually dispersed throughout all the levels, however the complexity and uncertain conditions of the working environment causes difficulty in managing the control of the information (Bobrow & Dryzek, 1987). This matter is
discussed at length in Chapters 3 and 10.

Aid policy makers use rationalistic planning and management, which often requires formal (explicit) and informal (implicit) knowledge that are simply not written down and directly available in most recipient countries. The demands of rationalistic planning have forced policy makers to use whatever knowledge is at hand, regardless of its appropriateness or accuracy (Rondinelli, 1993). Most of the donors’ policies are shaped by certain sets of shared western theories of change, norms and assumptions (Baimyrzaeva, 2012).

Over time aid policies have changed and formed three waves of reforms with different targets and objectives. The focus of reforms gradually extended from capacity development of organizations and individuals in the 1950s, to reorganizing the public and private sectors in the 1980s, and reshaping the whole governance system since the late 1990s. Donors have jumped from one reform wave to another without analyzing and mapping the consequences of the first wave. This is partly explained by the lack of practical knowledge of how to realize institutional change in the targeted countries. When the failure took place in a wave, economists came up with a new idea to design new polices and a new wave of reform even without understanding how and what makes a particular institutional arrangement work or fail in targeted countries (Baimyrzaeva, 2010). Some insiders to the process of aid policy-making argue that the donors do not “in fact know what to do – or that, if they do, they so far have been incapable of acting on that knowledge” (Jenkins and Plowden, 2006: 13). In addition to what we have mentioned before, it might be a difficult task for them to incorporate local knowledge at the strategic/policy level due to the hidden or normative nature of the local knowledge itself (Polanyi, 1958 & 1966), and the process adopted by most donor countries through designing the aid programs. There is also a broken feedback loop from the field or the lower level to the higher level within the aid system (Martens, et al. 2002). Finally, there is a geographical separation of where the aid policy is formulated (in the capital of a donor country) and where the actual aid policy implementation takes place (in a recipient country). In this context, donors’ policies of reforms are informed by several unsupported assumptions about institutional change (Baimyrzaeva, 2010).

This dissertation argues that information on local knowledge could improve as a result of changes in the implementation process and networking in the field. There is a possibility for an originally inappropriate policy design to be corrected during the implementation process through the incorporation of local knowledge (Lindblom,
1959; Trowler, 1998; Hope, 2002). The reality is that implementation is an extension of policy formulation (Ali, 2006). But furthermore there should be a flexible strategy which adapts according to local difficulties and contextual factors (Nilsen, et al, 2013) or compliance with statutes (Matland, 1995). The implementation process of a given policy inevitably takes different shapes and forms in different cultures and institutional settings (Paudel, 2009). Local Knowledge in a certain place and time can differ among aid recipients, aid organizations and individuals, all of which influence the implementation process.

Bottom-up research, conducted in the main by Europeans including Nilsen, et al, (2013), Friedman (2006), Howllet and Ramesh (2003), Hanf and Scharpf (1978), Hjern (1982), and Hull and Hjern (1987), focused on the actions of local implementers in adapting the reform polices to their structures. In foreign aid polices we can assume that decentralized actors (contractors at the middle management and operational levels) can be used to overcome the local knowledge syndrome (Saleh, 2011) through direct and indirect interactions with the aid program beneficiaries (Ostrom, 2005; Gibson et al., 2005; Ostrom et al, 1993).

What we can observe is that aid policy implementation has often used top-down approaches. Aid policy-making is mainly done by donor organizations and use contractors to implement the policies. According to the policy implementation theory, such a synoptic approach often ignores the relative ease with which implementers and interest groups can work to subvert the originally established goals (Nilsen, et al, 2013., Ali, 2006; Birkland, 2005, Winter, 2003; Mazmanian and Sabatier 1981, 1983; Nakamura and Smallwood, 1980; Berman, 1980). The traditional top-down approach that “dominates development interventions ‘fails to take into account major decision makers, fails to address the problem of rationality and fails to account for the local knowledge that leads to projects being considered “donor” projects rather than “local” projects’” (Ika & Hodgson, 2010; Youker, 1999, 2003; in Ika, 2012:34). The top-down approach often ignores the conflicts during the policy implementation, which is not only a missed chance to incorporate local knowledge, but can also jeopardize effective project implementation. If there are conflicts that means there are different visions, expectations, objectives and understanding of the objectives of the aid projects (Birkland, 2005).

It is worth noting here that policy implementation research is supposed to have evolved through three generations. As will be evidenced later in this dissertation, the first-generation studies were explorative, mainly looking at a series of stages including
agenda setting, policy formulation, legitimation, implementation and evaluation. The top-down approach was used to consider implementation failure, and focused on factors from the perspective of central government policy makers like a lack of resources, poor socio-economic conditions, unclear or flawed policy, poor compliance by the implementers, and opposition within the policy community (Nilsen, et al, 2013:2). The second-generation implementation studies favored the bottom-up model of policy implementation studies (Friedman, 2006) as they highlighted the significance of street-level bureaucrats to the success of policy implementation (see for example Lipsky, 1971 and 1980; Hjern 1982; Hjern and Hull 1983), and focused on the relationships between policy and practice (Paudel, 2009:39). The researchers in the bottom-up approach “shifted the analytical attention away from variables at the top or center of the system to the contextual and field variables at the bottom as the policy evolved in the complex process of translating policy intentions into action”(Nilsen, et al, 2013:3). The third generation of policy implementation research tried to reconcile the two approaches by developing “synthesized models and frameworks”. It combined the macro realm of policymakers with micro sphere of individual implementers (Integrated Implementation Model) (McLaughlin, 1987, in Paudel, 2009). Several other notable models and frameworks have emerged for improved our understanding of implementation theory and actions, including the (1) Communication Model of Interactions, (2) Governmental Policy Implementation, and (3) the Ambiguity-Conflict Model (see for example Johansson, 2010; Winter, 2003; Goggin, et al, 1990). The importance of rigorous research approach was also highlighted, with more importance given to longitudinal study schemes and comparative manifold case studies to improve the number of clarifications (Nilsen, et al, 2013).

1.4 Local Knowledge Syndrome and the Network Perceptive

The three generations of implementation studies and research discussed above are used in this dissertation as theoretical foundations, helping us to understand the phenomena under investigation. This is despite continued debate on and criticism of these three approaches, which has caused frustration among many scholars of policy implementation research (Paudel, 2009).

To explain why we have more and less effective aid projects in relation to LKS, however, I employ a different approach, which is the development associability approach. This approach comes from the Network Perspective, and in particular the
actor network approach. The development associability approach is well-suited to this dissertation as the LKS has a cognitive and implicit nature, and aid policy implementation happens across nations and cultures. As we mentioned above, aid policies until now have most used the top-down approach, formulated in a donor country and then handed over to donor contractors to be implemented in cooperation with aid recipient organizations. The donor contractors apply Western management principles, practices, managerial styles, skills, and knowledge, which differ from those in the targeted poor nations. These differences can lead to potential conflicts during the aid policy implementation. Using the basic ideas of the actor network perceptive, we can prevent the different actors involved in the project from having conflicts, and allow them to accept each other’s viewpoints as legitimate (Scoot-Smith, 2013). Moreover, this perspective shows us how we can incorporate information on local knowledge by creating a cooperative network (for more preliminary ideas on this, see for example Scoot-Smith, 2013, Latour, 2005; Law, 1992; Law and Hassard, 1999). Interactions and networking are crucial tools for incorporating LK information and thus leading to development and adaptation to the specific time and context of the aid intervention (Voeten, 2013:121).

Underlining this argument, Lundvall et al (2009) emphasized that the narrow “formal institution focus” in aid interventions has limited value for understanding and explaining how to achieve real change. The authors argued that tacit or informal institutions and localized knowledge is more useful for building a broader understanding of aid interventions in developing countries” (in Voeten, 2013: 119). Building on the main idea of the actor network, they suggested that to incorporate information on the localized knowledge aid intervention should be founded on doing, using and interacting and involving learning. This is especially as the informal institutions are a critical part of the local knowledge syndrome in this dissertation, which suggest a more positivist ‘real’ worldview (see Chapter 3).

Before introducing the development associability approach and it relation to LKS, it is appropriate at this point to explain some aspects of the actor network approach. The actor network approach, used as an analytical framework for understanding how actors interact in the local context, can allow the “black box” of information on local knowledge to be opened. Bruno Latour, Michel Callon and John Law have made major contributions in developing the actor network approach which their theoretical orientation and research which began in the 1970s. In its original formulation, the actor network perspective relies on the notion of “logics of action”, which is an
analytical method to “analyse the interactions between organizational unities and the different related actors, the relationships of domination existing there, the alliances amongst professionals, and conflicts arising during the interaction among the coalitions and between alliances and so forth” (Vásquez, 2005: 39). Carroll (2012) emphasized that the actor network perspective creates a “vocabulary” to examine how powerful networks emerge, paying “particular attention to assemblage and the influence of objects and people. It establishes networks and determines particular actions or behaviour” (2012: 64). Law (2007) sees the actor network perspective as “a descriptive approach” which describes how relations (both successful and unsuccessful) are formed. “It has a sensibility to the messy practices of rationality and materiality of the world. Along with this sensibility comes a wariness of the large-scale claims common in social theory, which are usually oversimplified” (2007: 2).

Actor network is a very accepted perspective, which has spread across a number of disciplines, including sociology, geography, management and organization studies, economics, anthropology and philosophy (Cressman, 2009). The actor network approach includes three basic elements identifying as key to create successful actor-network and interactions among the network actors. These are: (1) the idea of the “black box”; (2) the process of ‘translation’, and (3) the involvement of material objects.

The term “black box” is used by Law (1992, 2007) and Latour (2005) to define the process of forming a given network and how the associations and interactions between actors are established. A black box is created when all the underlying human and non-human interactions are clarified and there is a shared common understanding of the characteristics and role of each actor. For successful development intervention in a cluster, all the actors within it must collaborate. “A smoothly running cluster (a blackbox) is a prerequisite for successful development intervention in the strict effective sense” (Voeten: 2013: 123).

The process of ‘translation’ (Callon, 1986; Latour 1987 & 2005) occurs when actors feel represented by the network and agree with the terms of cooperation. Network actors, as well as the relations that bind them, are translated as networks change. Thus, translation is the process of creating characteristics and the environments of collaboration and interactions, and of illustrating representations. Ultimately, this can lead to the creation of a reasonably stable network, and interactions in which the roles, interests and motivations, ideas and the rule of the game of the actors are mutually understood. In other words, the translation process can lead to a situation where the “interests of various actors are aligned, and the actor-network can speak as
a whole. The process of translation, if it is successful, results in an actor-network that
has included many other actors by articulating what they want and the necessity of
their cooperation. Translation is a process that involves consent, cooperation, and
complex power relations” (Scoot-Smith, 2013: 6).

Heeks (2013) states that an act of translation occurs when an actor realigns the
interests or identities of another actor so that it meets with its own. It is the process
by which an actor joins a network is seen as “an act of ‘translation’; meaning
a displacement from one status to another. Typically, this is explained as one actor
reinterpreting or displacing the interests (goals, problems, solutions) or even identities
of other actors, so as to align those actors’ interests with their own” (Heeks, 2013: 3).
He has reviewed many studies which are dealing with the concept of translation, such
as Horowitz (2012), who sees the process of translation as “an attempt to define and
control others” and Williams-Jones & Graham (2003), who concurred with Lantor
(1987) that translation does not occur at one point in time or space but in a chain, to
which each actor adds an element of their own (in Heeks, 2013:4).

According to Callon (1986), the accumulation of set of translations processes can
create an actor network. These processes of translations have been divided into four
key “moments” which are summarized as follows in Heeks and Stanforth (2013):

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“Problematisation – the principal actors [in Callon’s case study, the researchers] try to
make themselves indispensable to the other actors [fishermen, the wider scientific
community, scallops] by defining the nature of the problem those actors face in achieving
their goals and by identifying a single way forward [the scallop breeding programme]
which is described as an obligatory point of passage (OPP).
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Interessement – the principal actors lock the others into place by interposing
themselves, weakening the links of other actors to alternative interpretations and
strengthening their focus on the problematised OPP [the scallop breeding programme is
accepted as the way forward by the various actors].
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Enrolment – the principal actors put interessement into practice by actions that define
the roles that are to be played in enacting the OPP and the way in which the others will
relate to one another within the network [those participating in the breeding programme
accept their roles within it].
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Mobilization – the principal actors borrow the force of their passive agent allies and
turn themselves into their representatives or spokespeople [the research scientists speak
on behalf of the wider scientific community, the fishermen, and the scallops].

Source: Heeks and Stanforth (2013: 8).

As the four key moments above describe, translation is a multi-faceted interaction
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process. It allows actors to frame agreed descriptions and implications, identify network representativities, and co-operate in the pursuit of individual and collective objectives (Carroll, 2012). The process of ‘translation’ is fruitful in examining the implementation of the aid projects on the ground and to describe how LK aspects can be incorporated by the process of interactions and building allies, which in turn has impacts on the level of effectiveness of the aid interventions. If translation processes fail it may lead to a failure to incorporate information on local knowledge and thus less successful aid interventions.

The third element, the involvement of material objects, is related to the insistence of the actor-networks approach that interactions between the actors create mutual understanding. According to Scoot-Smith (2013) and Heeks (2013) both argue that the involvement of material objects helps make networks more durable (Scoot-Smith, 2013). Latour (2005) stresses that “non-human information” can influence our activities in many ways, both positive and negative, and is a vital part of creating an effective actor-network, despite being barely recognized or investigated by social scientists (2005: 242-247). It was argued by Heeks (2013) that when “material objects become involved – a document that records the membership or rules of the network; a building where the network meets– then the network becomes harder to dissipate. Material objects are translated as they join the network but network researchers also call on the idea of ‘inscription’: the way in which particular processes, interests, identities, values, etc. become written into, embedded into, material objects” (2013: 5).

There have been several criticisms of the actor network perspective. Golinski (1998) argued that the perspective offers no theory of the actor, as it falls back on describing anything and everything as an actor (or ‘actant’, which has become the accepted term). This in fact ties in with what Law (2007) says, because as we have seen, he defined the actor network not as a theory, but rather as a descriptive and explanatory method focusing on the dynamics rather than on the stability of the relationships. According to Scoot-Smith (2013), who quoted different scholars such as Amsterdamska, (1990); Collins & Yearley, (1992); Lee & Brown, (1994), the approach fails to explain how networks originate and how are sustained, thus can appear as ‘distributed essentialism’ (Scoot-Smith: 2013:7). Golinski (1998) also argued that the actor-network approach involves the displacement of the sociology of scientific knowledge from a macro social level of analysis to case studies centred on small groups, which are working on micro realities. Carroll (2012) critiqued the actor
network approach for failing to take account of ‘broader social structures’, which inherently influences the local social structures. Carroll, like Latour (1992, 1993) posits that micro- and macro- structures should be accorded the same value, as the macro-structure of society is made up of the same stuff as the microstructure. To contest this criticism Walsham (1997) suggests that the researchers who are using the actor network approach can “combine the methodological approach and conceptual ideas of actor-network approach with insights and analysis drawn from theories of social structures” (1997:473 quoted in Carroll, 2012).

Despite the persuasiveness of such criticisms to the actor network approach, they do not undermine its real advantage as a heuristic method of dealing with LKS within the foreign aid discourse. The actor network approach leads us to perceive the policy situation in new ways, and insists that we abandon ready-made ideas and assumptions of change. The actor network approach is very important to study the LKS and its relation to foreign aid (in)effectiveness. Roome (2001) argues that the majority of social and institutional theories do not investigate the formation of relationships and human interactions, and fail to recognize the factors which lead to conducive (harmonious) relationships (in Voeten: 2013: 122). Stressing the above argument, Voeten (2013) added that most of these theories are developed in Western economies, and assume the presence of and importance of formal institutions working within relatively stable institutional frameworks. There is no attention to the roles that lively informal institutions play in the informal networks and organizations in poor and traditional countries. Until now, the dynamic roles of informal institutions have not yet been adequately explored. While there is abundant theory about networks, it often only “provides limited insights into the actual formation and evolution of networks and how people interact within these networks. These analytical frameworks generally do not pay enough attention to how materiality influences and can explain the behavior of innovators, the development of networks, the dynamics of clusters and the acknowledgement of responsibilities” (Voeten, 2013: 122).

Law (2007) argues that it is possible to describe the actor-network approach in the abstract. But in fact this approach is not abstract as it is grounded in empirical case studies. We can only understand the approach if we have a sense of those case studies and how these work in practice. Law likens this to symbolic interactionism and natural science (2007: 4). The actor-network approach focuses on micro case studies, which is crucial when considering the role of LKS in aid program (in)effectiveness. As we argue later in this dissertation, information on local knowledge is not stable,
and varies with location, time and organization. The actor network approach provides prospects for some very informative analysis, as it is more practice-based than a post- structural analysis, and moves away from the search for objective truths sought by positivists. (Scoot-Smith, 2013: 8).

Actor network perceptive offers an effective method to understand how the development process within foreign aid can succeed or fail. I argue that development processes which follow a “harmony development associability” can incorporate information on local knowledge, as these processes create more extensive and durable alliances and interactions to exchange ideas and information during the actual process of implementation. The less successful development projects, by contrast, will follow the “conflicted development associability”. We will look at harmony and conflicted development associability in detail in later Chapters.

1.5 Local Knowledge Syndrome and the Development Associability Approach

Based on the main ideas of the actor network perceptive and under the influence of the work of Scoot-Smith (2013), we use the development associability approach as an analytical tool in this dissertation to understand aid (in)effectiveness with LKS as a causal mechanism. According to Friedman (2006), the development associability approach offers an alternative to a hierarchical system by describing relationships between the related actors involved in a program (Friedman, 2006:486). The approach describes the elements of extensive human interaction, providing ideas for creating opportunistic social situations and to incorporate local knowledge. With the integration of this approach in my dissertation, the aim is to discover how donors can deal with LKS in actual social settings in order to ensure a high level of aid project effectiveness. Social interaction, either direct or indirect, is a way to transmit this local knowledge. Shared experiences and shared understandings among stakeholders are a strong incentive for learning, in particular problem-solving circumstances or contexts (Lam, 2006).

Let us return to the three basic elements identified by the actor network as crucial to success - namely (1) the idea of the “black box”, (2) the process of ‘translation’, and (3) the involvement of material objects– and see how they relate to LKS and aid projects. We look at each of the three elements in turn below.

Information on local knowledge is not inherent or universal, and thus it is initially visible. Instead, the information becomes visible through virtue of the alliances mobilized around the aid project. The ‘development associability’ approach, therefore,
refuses to link project success with any purely formal achievement of ready-made aims or assumptions of change (See Chapter 2, Section 2.2). When the “black box” of information on local knowledge is opened, it is more likely that the aid intervention will adapt to local knowledge and thus the chance of success will be much higher (Scott-Smith, 2013).

The process of translation involves the mobilization of different actors, the alignment of their interests, and the representation of wider communities to speak as a single will. Successful development projects are able to define roles for people, stabilize identities, and speak on people's behalf. Indeed, the successful development project does this not just for its beneficiaries, but also for all of its 'stakeholders'. Through a complex process of minute power relations, it determines what other actors want to do, and what they will be capable of (Callon and Latour, 1981).

The material objects are crucial to incorporate information on local knowledge and to give the actor network a more tangible form. One important example of the material objects within the foreign aid arena is the development of online networks related to institutional memory of international aid organizations or agencies. As we mentioned before, the actor network is not really a theory, but a methodological approach (Latour, 1999). Actor networks, says Voeten (2013), are essentially based on, and framed by, non-human objects, interpretations, and scientific evidence and knowledge, alongside the semiotic context, which is the perceptions and opinions of the actors involved. Voeten notes that such a network sees the coming together of materiality, a positivist concept, with constructivist concepts such as perceptions, negotiations and role- and identity- assignment and eventually acknowledging responsibility.

In Chapter 3, we argue that non-human objects can provide important and rich historical information for aid policy makers and implementers about the rules of the games in the local contexts. Online networks can play a valuable role in putting local knowledge and capacities at the fore of the development project. Moreover, notes (Scarf, 2010), they can allow poor and marginalized communities to use their skills and knowledge to make money. They can enable “frontline development workers to play a more influential role in shaping development policy and practice, give civil society organizations a greater voice in public policy debates” (2010:69).

The occurrence of these three basic elements are by no means inevitable at the policymaking and implementation levels of foreign aid projects. At a macro level there is a lack of local knowledge. Online networks provide scant (if any) information
on local knowledge, aid organizations lack institutional memory and recipient countries have little information on local knowledge or theories of change (Martens et al. 2002). When researchers set out to examine a development project, they are often limited by the barriers development agencies erect in order to maintain a positive public image. Scholars are usually granted access only to a limited range of documents, many of which are already in the public domain, and which are generally jargon-laden explanations of events offering a rather monolithic view of the implementation process (Scarf, 2010; Scoot-Smith, 2013).

The non-human objects can lack information on local knowledge because of a number of factors that limit the ability of local knowledge actors to contribute to online networks, regardless of their desire to do so. According to Scarf (2010), these obstacles are a product of the existent power relations amongst participants, such as the dominance of the English language, which is compounded by tensions and constraints ranging from managerial opposition to local knowledge; social/cultural norms and resource dependencies and constraints that limited mobility and social connections (Scarf, 2010: 5). Scarf argues that there are considerable differences in the extent to which online networks promoted by donor agencies draw on local knowledge, experience and ideas from outside their (often rigid) network borders. The author also notes the focus on external audiences through websites, at the expense of creating true knowledge-sharing mechanisms between inside and outside (2010: iv).

In addition, strategic planning is essential to fully consider the local setting and to address the local knowledge deficiency, thus allowing the black box of information to be opened. However, there are several factors, which hinder this process. In Chapters 3 and 10 we consider the factors that could possibly influence the human and non-human interactions, as outlined by the actors network perspective, and by focusing on characteristics of the processes of policymaking, which are: (1) the unclear vision on the final goal, (2) diplomatic language and development jargon used in the interactions between actors, and (3) the dominance of the English language in the development aid realm (see for example Crespin, 2011; Olsson and Wohlgemuth, 2003, Browne, 2006; Martens et al. 2002).

It is possible to incorporate the local knowledge only at the implementation stage. Within the scope of the “network perspective”, many studies have considered the factors which can contribute to this incorporation through harmonious networking (Faulkner and Rond, 2000; Vartiainen, 2002; Sako 1998 & 1992; Kanter, 1989; Isabella,
2000; Putnam, 1993; Klitgaard, 1998; Board, 2002; Joop Koppenjan, and Erik-Hans Klijn, 2000; Dasgupta, 1988; Burns and Flam, 1987; March and Olsen, 1989; Jenkins and Plowden, 2006; Olsson and Wohlgemuth, 2000). The most important of these factors are: building trust and openness; commitment; mutual understanding; accepting cultural differences; equal representation; low staff rotation, and the numbers of actors involved in the aid project during the actual implementation process. Chapters 3 and 10 review these studies and the outlined factors in full.

The core Proposition and Hypotheses of the Dissertation

Considering all the theoretical foundations presented above and in Chapters 2, 3, and 4, we developed the core proposition of the dissertation. This proposition, which is discussed extensively in later chapters, is as following: Aid programs and projects can certainly work and achieve satisfactory results in recipient countries with poor governance and a complex set of multiple development goals. Nevertheless, aid practitioners in the field and those in charge of development policies at the highest institutional levels should be in touch with reality and incorporate “local knowledge” in the project design and implementation process, as well as adopting delivery mechanisms to ensure effectiveness.

From this core proposition we can the formulate the following two main hypotheses of the dissertation, which elaborate on how LK could substantially contribute to the success of development programs:

(I) Incorporation of local knowledge in the policy design stage, that integrates formal and informal institutions and organizations in host governments or organizations, increases the effectiveness of aid programs. Reduced incorporation of local knowledge based on this integration, increases ineffectiveness of aid programs.

(II) Incorporation of local knowledge during the implementation stage leads to greater openness to local realities not foreseen in the design stage and reduces the probability that aid programs or projects need redesigning, and increases their effectiveness.

In Chapter 5 we discuss the empirical methodology. The chapter begins with an overview of the empirical approach used to test the above hypotheses, by using information and data obtained from the development program and projects (policy areas) of the Netherlands. We determine the causal relationships based on the objectives raised in each hypothesis.

In Chapter 6 we conduct “macro” level analysis focusing on the Netherlands’
development aid history, policy determinants, and its role in Yemen. The main objective is to discover the multiple goals for giving aid to Yemen and to test whether these goals decrease the level of effectiveness of aid interventions, increase it, or have no effect.

In Chapters 7-10, we test the main two hypotheses with an in-depth analysis of the Netherland’s bilateral Aid Program for Institutional Strengthening of Post-secondary Education and Training Capacity (NPT) in Yemen. The NPT program is funded by the bilateral donor agency Nuffic, the Dutch organization for international cooperation to reform post-secondary organizations. Nuffic works on behalf of the Ministry of Foreign Affairs of The Netherlands. We selected aid program related to the higher education sector because more than 40% of foreign aid to Yemen goes directly to the education sector at all levels (MOPIC of Yemen, 2009). According to the Nuffic NPT projects sheets, NPT is especially directed at individuals and organizations of higher education in developing countries to give them a better chance of generating their own training institutes and staff in the long term (MinBuZa, 2011). Developing higher institutions is a first step in the strategy to promote public sector reform, through training and extending the expertise, knowledge and skills of senior officials in the public, private, and non-governmental organization sectors.

The NPT program in Yemen was distributed across fifteen projects that were designed to achieve the priority areas for capacity development of higher education institutions in the country. In this dissertation, we focus on four aid projects which have direct links to the public, private, and non-governmental organization sectors. All of the projects began in 2004 or 2005 and finished in 2009. The projects are as follows:

1. **Establishment of an MPA Degree Programme at Sana’a University with partnership of the National Institute of Administrative Sciences (NIAS), Ministry of Civil Service.** The MPA programme was developed at the Unit of Public Administration of Sana’a University to offer the opportunity for civil service managers in the various public administration institutions to obtain a university degree, to help them further strengthen the organization and management of their respective departments. At the same time the programme aimed to assist the Ministry of Civil Service and Insurance in the set up and quality control of training programmes for civil servants through the upgraded National Institute of Administrative Sciences (NIAS).

2. **Establishment of an executive MBA Degree Programme at...**
Sana'a University. The project objective of MBA was to train high-level public and business managers by establishing an advanced degree programme in business administration. The focus of NPT activities was building the capacity of the department of Business Administration of the Faculty of Commerce at Sana'a University (SU) to effectively teach and manage an MBA degree programme. The immediate target group was the faculty of that department. The students should profit from the increased training capabilities of the teachers in the new courses, better training materials and equipment. The secondary target groups were the business organisations who will hire the graduates. Technical assistance focused on: (1) strengthening the general management and organisational capacity of the SU, and in particular the Business Administration department to run an MBA programme with relevance to the Yemeni business community; (2) capacity building activities including curriculum, course and training materials development, short-term in-service training for administrative and teaching staff, scholarships to augment staff shortages; and (3) equipping the library and information centre with relevant materials.

(3) Strengthening the Water and Environment Centre of Sana'a University Graduate Programme in Integrated Water Resource Management (IWRM). The Water and Environment Centre (WEC) of Sana’a University, which started in 1999, is the main provider of advanced training in the water sector through its Graduate Programme in Water and Environment Science. Increasing problems in the water sector that threaten the development of the country have urged WEC to look for new approaches to water management in crisis areas. Integrated Water Resource Management (IWRM) has come to the fore and has been embraced by the Government of Yemen. This approach sees the water crisis as a multifaceted socio-economic problem and advocates multidisciplinary solutions to water use instead of a purely technical approach. The WEC aimed to establish: (1) a Diploma Course in IWRM for policy and decision makers as well as for managers from Yemen and the Arabic Region that have working experience in the water and environment, and (2) a Course Programme leading to a MSc in IWRM. NPT assistance was requested for the institutional strengthening of WEC, to make it a sustainable centre offering high quality courses.

(4) Women's Research and Training Centre (WRTC), Aden University. The
Women’s Research and Training Centre (WRTC) of Aden University was established in 1998 to address gender issues in the development of Yemen. The WRTC needed strengthening in order to become a strong and sustainable institution able to further develop or extend its core activities. There were three components to the WRTC project. The first was institutional strengthening through developing an organisation and (financial) management plan for the Centre, and training of the management and support staff in strategic planning, programme management and finance, and leadership development. The second component was capacity building through strengthening both existing staff and qualifying new staff in applied research skills, adult education methodologies, course development and writing, policy development and analysis, as well as upgrading knowledge in Gender Issues. The aim was to set up a new Diploma Programme on Gender and Development for BA graduates, preferably with teachers with working experience, as well as the establishment of an active consultancy unit within the Centre to research, develop and implement a basic course on Gender and Development for all students of the Aden University. The third and final component was investments in aid research and training.

The remainder of this chapter elaborates the significance of this dissertation and the prevailing interests of the researcher, and concludes with an outline of the design of the dissertation.

1.6 The Significance of this Dissertation and Interest of the Researcher

Through the thorough analysis of donor policies, we hope to better understand why many poor nations have experienced so many cases of failed and abandoned development programs; and to contribute to the development of a conceptual framework to bring this information together. An analysis of LKS and its relation with the successes and failures of aid programs is critically important and urgently needed, as dissatisfaction with the consequences of public policies and development programs is widespread, not only among the citizenry, but also among public officials and the world community in general (Olowu & Saka, 2002). This dissertation can help to increase the percentage of successes and improve our knowledge and understanding of donor-promoted public sector reforms in poor nations.

In addition, this dissertation can also be useful in providing feedback to help improve the design and implementation of programs and policies. It is our sincere
hope that the analysis presented in this dissertation will help to generate important theories that can be tested in future studies, and moreover, trigger a roadmap to improve the implementation of aid programs in Yemen. We also hope to contribute significantly to scholarly literature on the topics of international development administration and development programs in poor nations.

As a researcher from the global South, I hope to show how we can realize institutional change in poor nations, solve the issue of local knowledge syndrome and include input from the government of the developing country. It is one step forward to presenting some local knowledge aspects that are more or less common to poor nations. This gives aid agencies a greater chance to develop their aid policies, not only based on development theories presented by researchers from thriving democracies and flourishing post-modern societies. Most western theories of development used by donor agencies to inform and justify their development approaches downplay local knowledge and the perception of poor nations.

This dissertation reviews some aspects of deep-rooted local knowledge and its effects on all the different levels in the daily management of the public sector (see Chapter 4 of this dissertation). Throughout this dissertation, we have attempted wherever feasible to point out some features of the informal system (the implicit local knowledge and unwritten rules of the game) at stake within the Yemeni civil service system that can be used as a backdrop for the practitioners, experts or partners to whom my dissertation may be of interest. Researchers can use this information as conceptual background for the analysis in this dissertation. It is also useful for a donor expert or manager who is working for the promotion of public sector reforms in Yemen. We show how the rule of the game operates within Yemen's civil service system. It describes certain informal institutions and the apparent managerial behavior that is important, for having effective interactions between the stakeholders from different worlds, including donors and recipients.

I came to the Netherlands in 2007 to attain my Master Degree at Leiden University and as a part of a Dutch project to develop sound public administration in Yemen. In the Yemeni/Public Administration project, my dissertation has been one of the few counterparts to the Dutch - Nuffic/ROI project. After finishing my masters, I returned Yemen to teach for a year at the Center for Public Administration Development (CPAD) at the University of Sana’a. In 2008, I met Dr. Han Blom, the long-term manager of the Nuffic-NPT program in Yemen. Over several conversations we discussed the outcomes of the Nuffic aid projects that had come to an end and found
that there still existed a real problem in the delivery process of aid projects in Yemen; worthy of deeper investigation. With help from Dr. Blom, Dr. Frank de Zwart, Prof. David Lowery and Prof. Frits van de Meer, I was able to find a position at Leiden University, in order to conduct Ph.D. research in the area of foreign aid. I would like to express my heartfelt appreciation for their role in advising and preparing me for undertaking this research.

I have often been struck by the successes in social, political and economic development programs in the Netherlands and the quality of living most Dutch citizens enjoy. Although I have been fortunate to have had the opportunity to personally observe and benefit from the same economic prosperity and freedom, I have often felt a considerable degree of emptiness and guilt for my inability to contribute in any significant way to the improvement of lives in Yemen. It is in the spirit of this enormous concern and burden that I have carried on my shoulders over many years, that I have undertaken this dissertation as a small contribution to make a difference for the people of Yemen. I hope that people in other relatively poor countries will benefit from it as well.

1.7 Defining the Main Concepts of the Dissertation

The key concepts used in this dissertation are “development”, “forging aid”, “foreign aid effectiveness”, “knowledge”, “local knowledge”, “local knowledge syndrome”, “policy design and implementation processes”, “administrative reform” and “public administration reform”, “good governance” and “bad governance”, “capacity building and development”, and “institutions”. Some of the terminology is briefly explained in this chapter; the other concepts will be discussed in the coming chapters of this dissertation. We open every chapter by defining the applied concepts in order to clarify the discussion for the reader. It is worth noting that the concepts overlap each other in foreign aid discourse. These concepts have confused different stakeholders, who use them freely, such as the term ‘institutional reforms’ that mostly refers to reforms in the public sector. The present dissertation focuses on capability and capacity building reforms as part of deliberate changes in the public and private sector institutions. These types of reforms are also related to the good governance agenda of donors adopted to promote public and private sectors reform processes in the recipient countries.
1.7.1 The Concept of Development

The term ‘development’ has emerged as a powerful set of theories and practices that has influenced the post-war evolution of the developing world. It is instructive to note in this regard that economic and social development is the result of industrialization, which occurred when considerations of development were absent (Marc Williams, 1998). In the post-war and post-colonial period, the need for development of underdeveloped countries became a fundamental issue. Many scholars, researchers and governmental officials in industrial countries of the West, started to contemplate about helping the South and the East, the so-called underdeveloped or poor countries. Foreign aid development programs became the main instruments of rich countries to help poor countries. The development is linked to foreign aid activities, implying big theories that provide solutions to the problems of the underdeveloped countries.

Development theories and practices have expanded in meaning since WWII, when foreign aid officially started. According to Baimyrzaeva “in the 1950s, development was associated with administrative modernization; in the 1970s and 1980s with economic development; and since the 1990s, it has gradually incorporated political and social dimensions. This trend reflects the widespread recognition that all of these dimensions of development are interconnected and need to be accounted for to secure lasting and positive outcomes” (Baimyrzaeva, 2010: 8).

Since the 1990s, different concepts of reform have escaped from the umbrella term of development and now belong to complementary and interdependent elements of good governance theory. These concepts include, but are not limited to effective administrative, political, economic and social institutions – rules that structure and enforce the behavior of bureaucracies, elected officials, financial actors and civil society. Most international aid agencies (IDA) view good governance as both a means and an end to development. While all major IDA accept this broader notion of development, some leading donors, such as the IMF and World Bank, still tend to emphasize the economic dimensions of development. Others, such as the UNDP, hold a more holistic model of development as exemplified in its Human Development Index (HDI) (Baimyrzaeva, 2012).

1.7.2 What is “Governance”?

Although the term governance has grown in popularity in the international development debate over the last 20 years, it is still a “fuzzy concept” that means
different things in different contexts (Frederickson and Smith, 2003: 222). The concept so far has a confusing variety of definitions which greatly differ with respect to the ongoing problems or objectives at stake (Ear, 2006). The political economist Joachim Ahrens (1999) demonstrated the “academic” picture of governance. In Table 1.1 below, the most famous academic definitions from a variety of scholars are listed:

Table 1.1: Multiple Definitions of the term Governance

<table>
<thead>
<tr>
<th>Scholar(s)</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Frischtak (1994: vii)</td>
<td>Governance capacity is defined “as the ability to co-ordinate the aggregation of diverging interests and thus promote policy that can be credibly taken to represent the public interest”</td>
</tr>
<tr>
<td>Bratton and van de Walle (1992: 30)</td>
<td>Governance is “an interactive process by which state and social actors reciprocally probe for a consensus on the rules of the political game.”</td>
</tr>
<tr>
<td>Boeninger (1991: 1)</td>
<td>Governance means, “identifying economic and social objectives, and (...), charting a course designed to move society in that direction.”</td>
</tr>
<tr>
<td>Hydén (1992: 7)</td>
<td>Governance (...) is the “conscious management of regime structures with a view to enhancing the legitimacy of the public realm.”</td>
</tr>
<tr>
<td>Chazan (1992: 7)</td>
<td>Governance is the “capacity to establish and sustain workable relations between individuals and institutional actors in order to promote collective goals”.</td>
</tr>
<tr>
<td>Kjaer (1996:6).</td>
<td>Governance signifies “the capacity to define and implement policies.” (Kjaer 1996: 6, emphasis omitted)</td>
</tr>
</tbody>
</table>

*Source: Adapted from Ahrens (1999, p 42), by Ear (2006, p3).*

Ear (2006) has analyzed the above listed definitions and finds that Frischtak, Hyden and Chazan are all explicit in their definitions that governance relates to the ‘public’ or the ‘collective good’, making a distinction between government—which might be completely centered on the realm of private interests and governance. Similarly, Bratton and van de Walle’s focus on social consensus also implies a collective aspect. Only Kjaer’s definition is truly completely neutral about the content of policies (2006:3).

Researchers working for multilateral aid agencies such as the World Bank (WB), IMF, OECD and UNDP have mostly developed recent policy literature. They have distinguished two main parallel meanings of “governance”, which often overlap. The first meaning is associated with the World Bank: governance is “the manner in which
power is exercised in the management of a country’s economic and social resources for development”. Leftwich (1993) argues that the World Bank definition of governance has a fairly limited meaning, focusing primarily on the administrative and managerial aspects. The Bank’s concern with sound development management extends beyond the capacity of the public sector as it lays down the rules that create predictable and transparent conduct of public and private business. It also includes accountability for economic and financial performance (1993: 3).

The second meaning is associated with the United Nations Development Program (UNDP). It defines the term governance as “the exercise of economic, political, and administrative authority to manage a country’s affairs at all levels” (1997: 5). Based on this definition, the UNDP perceives governance as those mechanisms, institutions and processes through “which government, civil society organizations, and the private sector interact with each other in shaping public affairs and through which citizens articulate their interests, mediate their differences, and exercise their political, economic, and social rights” (2008: in Shabbir & Rondinelli, 2007: 6). Leftwich (1993) argues that the UNDP’s interpretation of the concept of governance has a more political notion to it. It involves concern for administrative improvement, but it also insists on competitive democratic politics.

Likewise, Kauffmann et al (1999, 2002) have identified four dimensions of governance: economic, administrative, political, and institutional. These reflect the governance concept as a combination of traditions by which authority in a country is exercised. The political dimension comprises processes by which those in authority are elected, monitored and replaced. The economic/administrative dimension includes the system of managing public resources, the capacity of the government to effectively formulate and implement policies and its relationship with the international economy. The institutional dimension involves citizens and the state itself as actors who respect society’s public institutions that govern political, social, and economic interactions.

The UNDP and Kauffmann et al (1999, 2002), view decision-making and policy making as the province of government, as well as the right and obligation of citizens as members of a free electorate (Rondinelli, 2008). Other studies argue that international donors use the term “governance” in order to fit their own specific mandates. For example, “the World Bank has its own interpretation of governance because its official mandate prevents it from dealing adequately with political issues” (ODI, 2006). Leftwich (1993) argues that the two main meanings of “governance”, the
administrative sense of World Bank and the political sense of the UNDP, are often confused with each other but should be treated distinctively (and also see Leftwich & Wheeler, 2011).

It is clear from the above discussion that the conceptualization and operationalization of the term governance is a complicated task, but it is even more difficult to distinguish between the two concepts of “good” and “bad” governance, and to explore the role of governance at the level of aid effectiveness in recipient countries. However, this is what we now attempt to do.

1.7.3 What is “Good” and “Bad” Governance?

The definition of governance has altered through the variation of the concepts about “good” and “bad” governance in the international development debate. There is a long history of debate on the idea of good and bad governance, and there is still some controversy among different studies as to what constitutes good or bad governance (Soros 2002 in Ear 2006: 3-6). Brinkerhoff and Goldsmith (2005) offer an interesting and systematic comparison of the two concepts:

**Table 1.2: Governance Systems Model**

<table>
<thead>
<tr>
<th>Good Governance</th>
<th>Bad Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authority is institutional, resides with official roles</td>
<td>Authority is personal, resides with individuals</td>
</tr>
<tr>
<td>Political leaders share power with others and are accountable for actions</td>
<td>Political leaders monopolize power and are unaccountable for their actions</td>
</tr>
<tr>
<td>Leaders hold onto power by providing collective benefits that earn support of large segments of society</td>
<td>Leaders hold onto power by providing personal favors that secure loyalty of key followers</td>
</tr>
<tr>
<td>Policy decisions are taken in the open after public discussion and review</td>
<td>Policy decisions are taken in secret without public involvement</td>
</tr>
<tr>
<td>Decision-making standards are explicit, and procedures are transparent</td>
<td>Decision-making standards are tacit, and procedures are indecipherable</td>
</tr>
<tr>
<td>Political parties are organized around stated programs that affect large numbers of beneficiaries defined by universalistic or generic categories</td>
<td>Political parties are organized around personalities and the distribution of individual benefits</td>
</tr>
<tr>
<td>Political campaigns are financed by many small, unconcealed donations</td>
<td>Political campaigns are financed by a few large, secret donations</td>
</tr>
<tr>
<td>Elections are free, fair, and open</td>
<td>Elections are marked by intimidation, vote buying, and fraud</td>
</tr>
<tr>
<td>Civil engineering projects are disbursed to serve the interests of large portions of the country’s citizenry</td>
<td>Civil engineering projects are geographically targeted to serve the interests of small portions of the country’s citizenry</td>
</tr>
<tr>
<td>Citizens have appeal channels if given poor service</td>
<td>Subjects have little recourse for poor service</td>
</tr>
</tbody>
</table>
Each positive quality listed in the first column has a negative counterpart that represents bad governance in the second column. While power should be exercised in an impersonal way, it is personalized at all levels of authority in Yemen. A set hierarchy and chains of checks and balances is important for transparent decision-making, but in Yemen, civil servants at higher levels may interfere in every decision made at lower levels. “Instead of focusing downward on citizens, bureaucrats focus upward toward their superiors who can reward them. Instead of providing broad programs that distribute benefits to all according to established criteria, government provides narrow benefits to supporters. “Few people would admit liking these things” (Brinkerhoff and Goldsmith, 2005:199).

Table 1.2 shows that a distinction between “good” and “bad” governance at administrative and political levels of governance can often be conflated. It is difficult to distinguish between the two levels. The political level often influences the bureaucracy and the bureaucracy has its own tools to influence political decisions. It is not our main goal to deal with this argument in this dissertation, but it is helpful to keep a clear distinction. In investigating the relationship between the quality of

<table>
<thead>
<tr>
<th>Quality of Governance in its Administrative Sense</th>
<th>Good Governance</th>
<th>Bad Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrators are recruited and promoted in competitive processes that judge their merit and expertise</td>
<td>Administrators are recruited and promoted as reward for personal connections with political leaders</td>
<td></td>
</tr>
<tr>
<td>There is an authorized administrative hierarchy with clear division of labor, specific standards for output, and well-defined reporting channels</td>
<td>There is an unspoken administrative hierarchy, with little specialization or specification of output and uncertain reporting channels</td>
<td></td>
</tr>
<tr>
<td>Administrators can only be dismissed with cause</td>
<td>Administrators can be dismissed for no reason</td>
<td></td>
</tr>
<tr>
<td>Administrators are prohibited from supplementing their salary</td>
<td>Administrators supplement their salary with bribes and kickbacks</td>
<td></td>
</tr>
<tr>
<td>Administrators’ actions are predictable, based on objective methods, and follow uniform procedures</td>
<td>Administrators’ actions are arbitrary, based on subjective reasoning, and follow ad hoc procedures</td>
<td></td>
</tr>
<tr>
<td>Rules are applied with neutrality, and all citizens receive equal treatment</td>
<td>Rules are applied with partiality, and people with close ties to government get preferential treatment</td>
<td></td>
</tr>
<tr>
<td>Binding legal contracts are used in government procurement and sales</td>
<td>Verbal agreements are used in government procurement and sales</td>
<td></td>
</tr>
<tr>
<td>Internal controls are strict, thorough records are maintained and regularly audited</td>
<td>Internal controls are lax, documentation is spotty with sensitive matters left off the books</td>
<td></td>
</tr>
</tbody>
</table>

Source: adopted from Brinkerhoff and Goldsmith, 2005: 203-204.
governance and aid ineffectiveness, one will find that these two concepts ‘contradict’ each other. Since the concept of “governance” is divided into two main components, the political sense and the administrative sense, many theoretical and empirical studies that assess the relationship between the quality of governance and aid ineffectiveness are not in agreement, many giving misleading explanations. It is quite an undertaking to examine the three main groups of studies. The first group investigates the relationship between the political notion of governance in recipient countries and aid ineffectiveness. The second group investigates the relationship between the administrative notion of governance in recipient countries and aid ineffectiveness. The third group investigates the influence of foreign aid on the quality of governance in recipient countries (some of these studies reviewed in Chapter 2).

1.7.4 Definition of Institutions
If we take a closer look at institutional theory, there are plenty of definitions and descriptions that over time have been developed for the definition of institutions. In this dissertation, we have adopted the most common definition as developed by Douglass North (1991), who defines institutions as the rules of the game in a society or, more formally: institutions are the humanly devised constraints that "shape" human interaction. As a consequence, they structure the incentives of human exchange, whether political, social, or economic (1991: 1). The author provides a crucial distinction between institutions and organizations, highlighting that the latter provide a physical structure” and budget to human interaction. “Organizations include political bodies (political parties, the Senate, a city council, a regulatory agency), economic bodies (firms, trade unions, family farms, cooperatives), social bodies (churches, clubs, athletic associations), and educational bodies (schools, universities, vocational training centers). They are groups of individuals bound by a common purpose to achieve objectives” (North, 1991: 5). Institutions may be formal, e.g. legal systems, law enforcement mechanisms, and private sector organizations or informal unwritten institutions that are conceptually “treated as a residual category that appears to include a grab-bag of the leftovers: norms, culture, customs and traditions, kinship networks, customary law, patron-client relationships, and whatever else does not fit with contemporary conceptions of institutions as defined in constitutions and legal codes” (Corstange, 2008:7)5.

North (1991) emphasizes the importance of informal institutions in shaping any

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5. An advanced conceptualization of institutions and its relationship with the operationalization, the concept LKS, is presented in Chapter 3 of this dissertation.
development policy process. The alignment of rules with norms and mental models of the individuals in that setting ideally precede the enforceability of government-made rules. This alignment is more important than a government’s enforcement capacity, especially in developing countries where such capacity is often limited. Reform approaches that tend to prescribe formal institutional models without regard to informal institutions, may deepen misalignment between rules and the local norms, making the enforceability of institutions even more problematic (Baimyrzaeva, 2010).

However, it is difficult for policy makers and implementers to directly align rules with norms and mental models of individuals on the ground because, these norms are based on informal institutions that are not written or otherwise physically located. Policy makers need “tacit knowledge” about the informal institutions in order to be able to consider them and use them in policy intentions and implementation. Most aid programs in recipient countries seem to be focused largely on reforming formal state institutions while paying little attention to reforming the informal state institutions. Yet the latter are the main structures through which governance in those countries is exercised (Denzau and North, 1994; North, 1991; Parto, 2005; Voeten and Parto, 2006). A key feature of aid programs is the recognition that plans must be grounded in the institutional context. Such grounding requires “local knowledge” on what makes up the institutional landscape and entails two questions. Firstly, which formal and informal institutions can be used as channels through which we can increase capacity? Secondly, what measures can be taken to add capacity, given the inevitable idiosyncrasies of the local context? (Voeten and Parto, 2006:28).

1.7.5 The Definitions of “Administrative reform”, “Public administration Reform” and “Public Sector Reform”

Administrative reform is often used interchangeably with public administration reform. Many scholars and aid agencies use the concept of “administrative reform” to refer to the activities aimed at promoting the internal efficiency of government organizations (Caiden, 1991). Public administration reform however is a broad and comprehensive concept, involving a political process as well as an organizational one, as public administration cannot only be related to the question of how civil service operates. Montgomery (1969) defines public administration reform as “a political process designed to adjust the relationship between a bureaucracy and its wider

6 - This is indeed merged with the concept of time and place knowledge of Hayek (1948) or James Scott’s (1998) piratical knowledge as we present these definitions in Chapter 5 of this dissertation.
society or within the bureaucracy itself” (Montgomery, in Chau, 1997: 303).

Public administration reform is also defined as a social revision process based on knowledge, the power of change, a strong political will, the reinforcement of urban society institutions, and human resource development. In addition, genuine public administration reform is when the government has a real desire for reform and “begins to move towards serious economic and social development” (Carstens & Thornhill, 2000: 182-183).

According to Caiden (1969), the United Nations (1973), Dror (1976) and Leemans (1976), real administrative reform and public administration reform will take place when the two following conditions are obtained: “(1) a set value with which the existing bureaucratic arrangements, public personnel and values are seen to be in conflict. (2) The concern by politicians and the general-public that the existing bureaucratic structures cannot realize new goals set for them. Consequently, administrative reform may involve centralizing or decentralizing initiatives or both: the denominators are “away from” or “towards” the centre” (in Ndue, 2005: 7).

Public administration reform and administrative reform have three major stages: (1) Analysis of the current situation of the administrative system, (2) Formulating a reform strategy and finally, (3) implementing reforms (Chau, 1997: 305). Analysis of the actual operation of the public administration system is a very important stage, because the formulation of the reform strategy relies on governments deciding on the effectiveness of administrative systems and unveiling the causes of low performance. The reform strategy is a theoretical model of the reform process. Through the identification of a gap between reality and the desired situation, governments can formulate a reform strategy. If governments succeed in carrying out the analysis of the current situation of the administrative system, but formulate a reform strategy that does not reflect the outcome of the analysis, they will struggle with the third stage, which is the most important of them, namely the implementation of reform. Experts can carry out the first two stages, but the third stage is very difficult and experts may not be able to execute this task. Implementation usually faces many obstacles, like unrealistic judgment of the real causes of performance problems in the administrative system, and the absence of political support (political will) from top leaders, especially presidents (Chau, 1997: 305-307).

The above definitions approach public administration reform and administrative reform from two different angles. The first focuses on institutional and administrative reforms, and the second focuses on social and political changes. However, many
Donors have understood for a long time that public administration reform is limited to the first angle. Donors choose technical interventions to improve internal efficiency of government organizations, while disregarding the political and social contexts and dimensions.

However, this superficial incentive for public administration reform is not acceptable any more among aid participants, and they want an intervention that goes beyond the measurement of the quality of operation of civil service, to determine the performance of the public administration. The administration reform is also formed by economic, social, political, and cultural factors. Public reforms include not only “transformations in the civil service, but also reforms of the policy process, decentralization, privatization and citizens’ relationship with government through a greater mobilization of civil society, all of which alter the power dynamics in society” (Baimyrzaeva, 2010: 34).

More than a decade ago, the two concepts of public administration reform and administrative reform were replaced by public sector reform and governance concepts. Administrative reform is no longer about transforming the administrative state per se, but transforming governance, the relationships between societal institutions that exercise authority within a single country/state, a group of states, or a country association (Caiden, 2006:17 cited in Baimyrzaeva, 2010). The use of these concepts in the foreign aid arena is not that systematic, because there is still confusion, the concepts themselves interrelate and overlap, making it is hard task to distinguish between them. Different donors still prefer using these different terms even though in most cases they have the same content. The UN often uses the term ‘public administration reform’ as presented above. The WB focuses on institutional reforms, which call for changing the whole governance system. OECD and other bilateral donor agencies like Nuffic mostly use the concept of ‘capacity development’, as elaborated below (Girishankar, 2001).

1.7.6 Capacity Building and Development (CB & CD)

The concept of capacity building (CB), in donors’ vocabulary, is used as a substitutive concept of capacity reform and institutional building. For instance, DFID (2010) defines CB as “enhancing the abilities of individuals, organizations and systems to undertake and disseminate high quality research efficiently and effectively”. Similar to the UNDP report 2008, DFID research (2010) identified three levels of Capacity Building. Individual capacity involves the development of researchers and
teams via training and scholarships, to design and undertake research, write up and publish research findings, and influence policy makers. Organizational capacity includes internal policies, arrangements, procedures and frameworks such as developing the capacity of research departments in universities, think tanks etc., to fund, manage and sustain themselves. Institutional or societal capacity changes over time. It includes the “rules of the game”, and addresses the political context, the regulatory context, and the resources from which research is undertaken and used by policy makers. The institutional level is very broad and includes activities of policy reform, legislation, power relations and social norms that shape interactions among organizations7 (DFID, 2010: 3; UNDP, 2008: 4).

DFID research claims that the main goal behind the capacity building activities in aid recipient countries is to facilitate individual and organizational learning which builds social capital and trust, develops knowledge, skills and attitudes and when successful creates an organizational culture and a set of capabilities which enables organizations to set objectives, achieve results, solve problems, and create adaptive procedures to survive in the long run (DFID, 2010:4). Therefore, the activities and goals of CB are not without trouble; they demand great efforts.

There are many generic principles that underpin successful efforts for capacity building, but the most important one is that capacity building should be considered as a “process”. When we are dealing with human beings, CB is not a ‘bolt on’ extra, nor is there is there a simple ‘tool kit’ to make it happen. There are a range of tools, which, if appropriately applied can make a significant difference. Effective CB is the result of the interplay between individual, organizational, network and institutional factors. It is difficult to plan which steps are needed or which dynamics will evolve from it, but planning is nevertheless essential to develop a shared vision and strategy (DFID, 2010: 5). The development of planning can be facilitated through a process of action learning and continuous adaptation of interventions in the light of experience.

Despite the importance of CB development activities to improve human capital, many scholars argue that CB does not fully reflect the main development objectives of foreign aid programs. They consider that the concept of CB is a part of the more comprehensive Capacity Development. They claim that capacity building is focused on the individual and organizations and an increase in the individual’s capacity within that organization to perform. Thus according to them it is merely one element of capacity development as the ultimate objective of development aid (Lavergne and

7 - The DFID report mentions that the distinction between “organizations” and “institutions” is derived from the work of Douglass North and the New Institutional Economics.
The concept of capacity development is viewed as an interdependent and interwoven process of personal, organizational and societal change that depends on indigenous society, commitment and ownership to give the development momentum and sustainability. The Canadian International Development Agency (CIDA) states that capacity development: “is the process whereby individuals, groups, organizations and societies in developing countries enhance their abilities to identify and meet development challenges in a sustainable manner” (Lavergne and Saxby: 2001:4). UNDP also uses the same definition. In its Practice Note Report (2008), UNDP defines capacity development as “the process through which individuals, organizations and societies obtain, strengthen and maintain the capabilities to set and achieve their own development objectives over time. Supporting this process requires identifying what key capacities already exist and which additional capacities may be needed to reach these objectives” (UNDP, 2008:8).

Almost all multilateral and bilateral aid agencies use more or less the same definition of CD, as it is considered the primary objective of development cooperation. This stems from the main focus of the 2005 Paris Declaration that was concerned with the long-term effectiveness and sustainability of development aid. However, only a few donor agencies have invested considerable analytical work in it. They persist in mixing up important aid terminology like capacity development, capacity building, public sector reform and governance reform. The World Bank (2000), for example, provides a definition of capacity building that combines the aforementioned elements. In its “Strategy for Reforming Public Institutions and Strengthening Governance”, the concept CB is described as “building effective and accountable institutions to address development issues and to reduce poverty in borrowing countries. As highlighted in WDR97, helping the public sector work better in developing countries is a two-fold challenge: it involves (i) helping it define its role in line with economic rationale and with its own capacity, and (ii) helping it enhance performance within that role” (2000:ii).

The terms CB & CD are not new to the foreign aid discourse, but the invention lies in the broader shift in thinking about development, especially in the focus and scope of development activities. The scope of capacity development goes beyond the traditional focus on the internal functioning of individual formal organizations - the ‘micro’ aspect of capacity building. Increasingly, “participants have to look at the ‘macro’ aspect - the behavior and structure of larger communities” (Morgan, 1997:
Chapter 1

III). Others add that CD can take place at three levels, namely micro/individual, meso/institutional, and macro/the-societal level (Lopes & Theison, 2003: 21). Capacity development includes efforts to transform the macro-level environment where institutions operate, and reform the meso-level of systems and structures of institutions. Capacity development takes place at the meso (institutional) and micro (project) levels. This is crucial to wider capacity development because meso level interventions cannot remain detached from micro-level activities (Angeles & Gurstein, 2000: 454).

Donors learned that the past focus on inputs such as developing organizational capacity through training, technology transfers and policy advice, was not adequate. Institutions, or the rules of the game, did not “convert those inputs into desirable outputs, while the governance system remained the same” (DIFD, 2003; Girishankar, 2001, in Baimyrzaeva, 2010). In this perspective, CD is seen as complementary to other concepts, and incorporates institution building, institutional reform, and development, human resource development, development management/administration and institutional strengthening (Lusthaus, et al, 1999). The broader shift in development thinking is because of the fact that donors are currently realizing that confronts donor agencies with a basic reality that “the heart of the problem in poor societies is not the lack of funding or technical know-how (the traditional components of aid), but a matter of governance and the resulting inability to make good use of existing institutions and capacities” (Bossuyt, 2001:12). In Sida’s Strategy for Capacity Development, the concept of capacity is explained as the circumstances that must be in place for development to happen. These circumstances include understanding, competence and well-functioning organizations and institutions. Capacity development is thus a much wider notion than that of institutions. “Institutions are only one of the many components within the concept of capacity” (Bandstein, 2005: 8).

In the 2005 Paris Declaration and later in the Accra Agenda for Action (AAA, 2008), aid participants claim that aid activities should focus on institutional reforms to improve capacity and the quality of governance in recipient countries. Furthermore, CD should not be confined to externally-determined technical fixes, but should be driven by endogenous processes encompassing political relationships between government and citizens. They declare that for capacity development to be successful, the private sector, civil society and NGOs should be able to practice their normal roles for improving governance. In this way, society will practice its power and control
the actions of governments through those channels. This line of thinking is summarized in the Accra Agenda for Action (AAA) in the following six principles:

1. **Civil society and private sector**: Enable local civil society and the private sector to play their capacity role.

2. **Technical co-operation**: Work towards demand-driven technical co-operation and promote the use of local and regional resources, including South-South arrangements.

3. **Fragile situations**: Tailor, phase and co-ordinate capacity building and development in situations of fragility, including countries emerging from conflict.


5. **Country systems**: Assess, strengthen and promote use of country systems to implement policies and manage public resources, including procurement, financial management, results, statistics and information systems.

6. **Enabling environment**: Address systemic impediments to local capacity development (OECD, AAA, 2009).

1.7.7 The Link of the Defined Concepts to the Dissertation

In conclusion, there is a continuous change in the language of foreign aid, in regards to public reform. Which is reflected in the proliferation of new and modified terminology, such as capacity building, development, governance, governance reform, institutions, institutional reform, public administration reform, administrative reform, and public sector reform. The meaning of each of these concepts is not always clearly articulated. The same term may be used to convey different ideas, or different terms may be used to mean the same thing. Although these terms largely overlap, they are often used to identify or emphasize different aspects of reform. Moreover, organizations using one term often ignore what others say about the same content because they use slightly different terminology (Baimyrzaeva, 2010: 21). This section, therefore, has attempted to identify the points of consensus on the terms used, following the ideas of different scholars and researchers as they are recorded in
foreign aid literature. The present research focuses public sector reform, with special emphasis on transformation of public administration, is one method of capacity building that focuses on structural dimensions of the governance system. From now, public sector reforms will mainly refer to the capacity building within the government institutions unless otherwise showed.

1.8 The Outline of the Dissertation

The overall objective of this dissertation is to improve the understanding of why donor-promoted public sector reforms are not effective in poor nations, especially in the context of Yemen. An extensive literature review of all the factors that explain aid ineffectiveness is impractical within the framework of this dissertation. Here we focus on challenging one of the key theories of foreign aid ineffectiveness, the public choice (PCP) approach that explains ineffective aid, by referring to the operation of many the multiple goals of donors, as well as the existing poor policy environment in a recipient country. I hypothesize that the “local knowledge syndrome” is a potential, if not primary, source of ineffectiveness of donor promoted public sector programs. I will elaborate this further in three parts.

Part I of this dissertation consists of the Chapters 2, 3, 4 and 5. Chapter 2 describes my conclusions from the literature review of foreign aid effectiveness. There are two contradictory conclusions used to explain aid. The PIP approach argues that foreign aid does work and that it should be continued to reduce poverty in developing countries. On the other hand, the PCP approach argues that foreign aid does not work, and that it harms developing countries instead of helping them. It should therefore stop to avoid future harm in those countries. I give only a quick review of the factors that cause aid ineffectiveness according to the PCP approach, because it has been reviewed in literature extensively, and I found that the argument is not convincing. The LKS explanation of the ineffectiveness of aid programs has received less attention in literature although some aspects of local knowledge are always mentioned under the heading ‘future risks’ in aid organizations’ reports. Chapter 3 defines the concept of LKS and its implications for foreign aid effectiveness. I also take a step back and identify some factors at the policy-making and implementation levels of aid programs that give rise to Local Knowledge Syndrome. Chapter 4 continues to explore local knowledge aspects in the context of Yemen to be used as background in the analysis in the empirical chapters. Chapter 5 describes the empirical methodology, the gathered empirical data and their sources. It also shows
the strategy of inquiry and the employed research design for this dissertation.

Part II of the dissertation consists of Chapters 6, 7, 8 and 9. This part illustrates how the donor-promoted reforms have played out in a specific country context, and what outcomes they generated. The Dutch-Yemen development co-operation presents a useful case study to argue against the PCP approach and its presumed ineffectiveness of aid interventions. Chapter 6 provides a brief historical background of the Netherlands’ development aid history, determinants, and its role in Yemen. This is to test whether these goals decrease the level of effectiveness of aid interventions, increase it, or have no effect. In Chapters 7, 8 and 9, I argue against the second PCP argument, which claims that foreign aid programs will not work in a poor policy environment. By using the Dutch-Yemen NPT program and the quantitative analysis method, we investigate the more effective and less effective development projects which aimed at public sector reform in the higher education sector in Yemen. The actual effects of aid projects in poor policy environments have consequences for the validity of the PCP approach, and might rightfully oppose the idea that foreign aid does not work in a poor policy environment.

Part III of the dissertation, consisting of Chapters 10 and 11, present an analysis of those explanatory factors that tend to systematically undervalue the formal and informal aspects of LKS in strategic policy thinking, middle management, and at operational levels. I take a closer look at the principles, priorities and the content of development programs in public sector reforms. Chapter 11 proposes new ideas to incorporate information on local knowledge in a new paradigm to ensure effective public sector reforms. This paradigm builds on empirical evidence and previous discussed theory. I try to promote the understanding of how we can have successful interactions and actors’ network creation at all levels, and how the knowledge component of both informal and formal institutions can be incorporated. Moreover, the final chapter brings the main findings of this dissertation together and concludes by highlighting the key contributions of this dissertation to academic research and development practice.

The structure of this thesis can be seen diagrammatically below:
Figure 1.2 The Structure of the Dissertation

Chapter 1
Introduction: Aid ineffectiveness-Yemen

Stage I
Previous Theory and Research

Chapter 2
Foreign Aid Effectiveness: Theoretical and Existing Studies

Chapter 3
Local Knowledge Syndrome and the Effectiveness of Aid programs: a Theoretical model

Chapter 4
Some aspects of Local Knowledge in Yemen

Chapter 5
Research Methodology

Stage II
The Empirical Investigation
Case Study Analysis
Yemen-Dutch Co-operation & the NPT Program

Chapter 6
Dutch-Yemen co-operation Is the donor self-interest a problem?

Chapter 7
NPT: The Justification for the Data Analysis and the Demographic Profile

Chapter 8
NPT: The ECs Effectiveness in Training processes and Training

Chapter 9
NPT: The obstacles and weaknesses facing the ECs

Stage III
The Causal Factors of LKS and Dutch-Yemen NPT Program
Towards a Model of Incorporating LK in a New Paradigm

Chapter 10
The Policymaking and Implementation of the NPT Program and the LKS:
Explanation of the NPT Projects Failure and Success

Chapter 11
Conclusion and Theoretical and Policy Implications