

CHALLENGES OF THE CURRENT AID ARCHITECTURE: ADDRESSING THE DEVELOPMENT NEEDS OF AFRICA – By Vitalice Meja, AFRODAD

African countries like many other developing countries need external resources primarily to supplement their meagre domestic resources from their economies. The assistance countries receive redress the financial gap that arises from their development needs and act as catalyst and play a complimentary role in the implementation of the national development programs as well as strategies

Between 1970 and 2002 countries in the south of the Sahara received a total of \$294 billion in loans. Yet Africa continues to register the slowest growth in per capita income than any continent. Aid to Africa has not guaranteed rapid growth and has not contributed sufficiently to the reduction of poverty or creation of sustainable conditions for economic development. Aid in some cases has even to a greater extent contributed to lower growth by encouraging greater corruption, and weakening government internal mechanisms for aid management, and promoting debt servicing at the expense of the provision of social services. And yet in other countries, policy frameworks, public finance management and procurement systems are generally weak to promote economic growth and poverty reduction. Other problems that are also closely linked to the ineffectiveness is the incompetent planning of the donor nations aid programs, their aid disbursement framework and procedural requirement to aid management when dealing with developing countries. This has contributed to aid being allocated to wrong priorities.

There is a growing awareness among governments around the world that their own actions and behaviour are just as important for the effectiveness of aid in developing world. Indeed, the inclusion of such phrases as “mutual responsibility”, “partnerships” and “dialogue” as part of the current aid debate is a clear recognition of past mistakes. There is an increasing movement by donors towards systematic support for recipient-owned plans for the attainment of development results increased use of national administration systems; and more coordinated and predictable actions among the multiple aid actors. Donors signed a commitment to improve the harmonization of aid in Rome in 2003 and, more recently, the Paris Declaration on Aid Effectiveness. It set out five basic principles for donors concerning ownership, alignment, harmonization, management and accountability, together with a set of 12 indicators which could be used to judge whether or not fragmentation was diminishing and coordination improving.

In 2008 the United Nations takes stock of the implementation status of Monterrey consensus on financing for development. While many of the worlds poorest have seen some sort of improvement in quantity and quality of aid, there are still major challenges that are both externally and internally driven, and need our immediate attention if financing for development is to achieve sustainable development under the MDG framework. Improving aid architecture under the Paris and Rome agreements could mean a dramatic change in the way macro - economic policies are formulated and implemented, and how public service delivery is provided to millions of poor people in Africa. For governments this will imply, ownership and leadership of development plans and strategies, policy coherence, structural and economic reforms and political will to sustain reforms. For donors the implication points to their commitment to improving the quality of aid under the Rome and Paris declaration framework. It will also entail reforms at the policy, structural as well as systemic processes of aid delivery to African countries.

There is however a considerable concern over the lack of progress towards the coordination, alignment and harmonisation between and among donors with the African governments with a view of improving the aid architecture. The paper outlines some of the underlying factors behind these failures and proceeds to discuss some action points that the African governments and donors could consider towards a better aid architecture.

African countries do not exercise effective ownership and leadership over their development policies,

Governments in Africa are supposed to give a clear strategy of national development plans and guidelines for aid management through planning. However the current frameworks for poverty reduction under the PRSPs continue raise concerns over the actual commitment of governments to development given their lack of a clear long term vision. PRSPs is heavily dependent on external financing and weak in addressing cross sectoral linkages across the economy. Further the heavy involvement of the World Bank in its development and the IMF in determining the macroeconomic framework for implementing the PRSPs lead many to question the actual national ownership of the programs. Ownership is only possible through the development of a national development strategy that is accountable and involving of citizens in its development.

On leadership countries in the continent are in various stages of developing sector wide approaches (SWaps) with a view of seeking to streamline their national priorities across sectors, and putting together ministries that work in the same areas. However, some donors are not ready to use SWaps. They support particular units in the sectors (project support) instead of putting resource in the overall sector basket for wider sector use. In the same vain, their is lack of confidence in the government systems in aid disbursement thus undermining reform efforts, as they are not being tested despite years of reform. Governments in Africa need to be more proactive in their engagement with the donors. They need to demand from donors to coordinate, align and harmonize there efforts towards national priorities. In the same framework they need to strengthen their leadership efforts by equipping departments responsible with personnel and systems necessary to facilitate the process.

Delivery of Aid mechanisms are not fully harmonized. Different external resource delivery mechanisms are used in Africa by donors. They range from direct budget support and sector support to project support and technical support in a country. While most governments prefer direct budgetary support, donors continue to disburse their assistance using a combination of modes including the use of inflexible project cycles, technical assistance and monitoring and evaluation systems as way of managing their aid. This in essence continues to add transaction costs to the ministries concerned as they continue to contend with numerous field visits and report writing to donors instead of focusing on program implementation. On direct budget support governments in the region continue to experience congestion and competition among donors in the social sector because of their high visibility. Sectors that are priority to the government such as roads, energy and security that do not provide more visibility to their support are of less importance to them.

Conditionalities in the aid Architecture continue to pose problems for many African countries. Conditionality still play a key role in determining the flow of external resources in Africa. Political conditionalities exist both at bilateral and multilateral level and often tend to advance donor interest. In some cases IMF play a big role in determining the level of support that come in the country with most donors scaling down their support levels when the governments pull out of the IMF programs. Yet at the same time IMF is not involved in the debate for reshaping the aid architecture, coordination and alignment in the countries. There is a need to develop clear benchmarks, partnership principles and triggers between the

government and donors as opposed to current conditionality frameworks dictated upon by donors.

Need for donor reform in the aid management. In order to facilitate effective operations in the efforts of aid harmonisation, there needs to be considerable delegation at the country office. DFID and Sweden have made considerable strides in this regard. There appears to be a high level of responsibility given to the DFID and SIDA in the country regarding decision making on issues of aid management at the country level. The two country offices have a ceiling on the amount of funding they can spend without seeking approval from the headquarters.

Aid dependency versus exit strategy; There are concerns over the dominant role of aid in the national budget with some countries having as high as 40 percent of the national budget being financed by external financing. Aid dependency creates problems to the national budget in cases of aid freeze. There is thus a need for African governments to intensify their own domestic resource mobilisation efforts to reduce aid dependency. The UN should consider working closely with national governments in working out exit strategies in developing an aid management policy with an exit strategy that would among other things aim at providing a framework for increasing participation and transparency in aid operations, more strategic, coherent and co-ordinated institutional framework, enhancing partnership, transparency, accountability and strengthening collaboration with international organisation and sharpening the focus of bilateral aid in Africa.

Aid architecture for post conflict countries: The current aid architecture is weak in addressing the needs of post conflict countries with enormous social, economic and infrastructural problems. Liberia has made considerable strides in creating stability and embarking on the path of growth and development, however the international community is stuck to the relief mode of development assistance with little regard to the efforts of the government to move from transition to development. The efforts of the government are further hampered by the fact that the country is in arrears in servicing the debts of IMF and the World Bank and thus considered high risk by donors for additional support. Failure by these institutions to write off these debts are a major hindrance for Liberia to implement its national development strategies, establish the political will domestically, build capacity for

aid management, and normalising aid relations with bilateral donors. Donor agencies should adopt special procedures to assist operational departments in financing and implementing programmes in Liberia. Of paramount importance would be the immediate cancellation of all the arrears owed to the bank and the fund.

Non State actors are not included in the improvement of aid architecture at national level. Governments across Africa as well as donors recognize the role of non state actors in aid effectiveness particularly in the area of advocacy and monitoring progress and impact of aid. CSOs at the same time have a direct involvement in development and mobilising resources for poverty reduction, it is thus imperative that their role is clearly spelt out and institutionalised at the national level. However, Non state actors participation in influencing the nature of partnership with the government and with its development partners are non existent thus have little access to shaping the aid the aid architecture at the national level. Couple with this is the secrecy with which bilateral negotiations are done on development financing between the governments involved. Non state actors only become privy to the process at the signing stages of the financing agreement. Information flow is sketchy and at worst non existent.

The lack of a structured engagement as well as lack of access to information on external financing has inhibited the ability of key institutions such as the parliaments and CSOs on demanding transparency and accountability from governments across the continent. The governments thus need to provide a better level of engagement and facilitation to civil society in policy and legislation dialogue/formulation if aid is to be more effective.

In conclusion aid architecture must address political interests of both donors and recipient as well. Aid would only work with good public institutions and if policies are nationally-owned. Other important factors include the need to address weak public finance management systems, respect public systems by donors, and the development of Partnership principles are mutually agreed. Lastly engagement with non-state actors and parliaments must be meaningful if Africa is to make head way in improving aid architecture in the continent.