

CONSENSUS



THE TUNIS CONSENSUS: TARGETING EFFECTIVE DEVELOPMENT FROM AID EFFECTIVENESS TO DEVELOPMENT EFFECTIVENESS

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AFRICAN DEVELOPMENT
BANK GROUP



CONSENSUS

REALISING AFRICA'S OWN VISION FOR DEVELOPMENT



THE TUNIS CONSENSUS: TARGETING EFFECTIVE DEVELOPMENT

ON 4 AND 5 NOVEMBER 2010, representatives from across Africa met in Tunis to discuss an African agenda on development effectiveness to take to the Fourth High-Level Forum in Busan in 2011. Organised by the NEPAD Planning and Coordinating Agency and the African Development Bank, the Second Africa Regional Meeting on Aid Effectiveness, South-South Cooperation and Capacity Development involved nearly 200 representatives of African governments, parliaments and civil society. In two days of engaged and lively discussion, the participants debated how well the Paris Declaration on Aid Effectiveness had served Africa's needs, and what new issues African countries would like to see on the international policy agenda for development cooperation.



The Tunis event was consultative in nature, designed to capture the diversity of opinion across the continent on development cooperation. Participants were invited to take the points raised in Tunis back to their countries to continue the discussion. Over the coming period, the NEPAD Planning and Coordinating Agency, with the support of the African Development Bank, will pursue the process of identifying common African positions to take into the international policy arena at Busan and other regional and global forums.

This document is a record of the Tunis event. It begins with a statement by the co-chairs: Dr Donald Kaberuka, President of the African Development Bank Group, and Dr Ibrahim Assane Mayaki, Chief Executive Officer of the NEPAD Planning and Coordinating Agency. The **Tunis Consensus** identifies general themes and points of agreement to have emerged from the regional meeting. It also proposes key issues to take forward in an African agenda for development effectiveness.

The second part of this document summarises the discussions at the Tunis event, highlighting some of the most illustrative reflections from speakers, panellists and participants. The core of the discussions took place in six roundtables, each dedicated to a different theme and informed by an issue paper that had been circulated prior to the event.¹ In summarising the discussions, this document reproduces background material from the issue papers, to provide context.

¹ All documents are available at www.aideffectiveness.org/tunisconsultations

THE TUNIS CONSENSUS: TARGETING EFFECTIVE DEVELOPMENT

This statement by the co-chairs summarises the key messages and points of agreement that emerged from the Tunis event. It sets out the issues that participants believed should be central to an African agenda on development effectiveness.

FROM AID EFFECTIVENESS TO DEVELOPMENT EFFECTIVENESS

In November 2011, the Fourth High-Level Forum on Aid Effectiveness will convene in Busan, Republic of Korea, to determine the principles and commitments that will guide development cooperation in the coming period. The forum will unite developing countries, development agencies, international organisations and a broad cross-section of civil society. It will review the achievements of the Paris Declaration and the Accra Agenda for Action, and perhaps launch a successor agreement.



Dr Donald Kaberuka, President of the African Development Bank Group



Dr Ibrahim Assane Mayaki, Chief Executive Officer of the NEPAD Planning and Coordinating Agency

This is a key moment in the arena of development policy. Over the next 12 months, Africa needs to enter the international debate with a well-articulated common vision of its needs and aspirations, and an agenda of how to translate its goals into principles to govern development cooperation.

The Second Africa Regional Meeting on Aid Effectiveness, South-South Cooperation and Capacity Development acknowledged the important contributions of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action to improving development cooperation. The Paris and Accra agreements established the first set of common principles and commitments to govern both

sides of the development partnership. The Paris principles—ownership, alignment, harmonisation, managing for results and mutual accountability—have come to define good aid practice. Participants recognised the leadership of the Working Party on Aid Effectiveness of the OECD's Development Assistance Committee (DAC) in promoting these principles, as well as the considerable efforts of partner countries in moving forward a very challenging agenda.

However, the Paris Declaration and Accra Agenda for Action focused primarily on the mechanics of aid delivery. The Tunis event called for refocusing attention from *aid effectiveness* to the broader agenda of *development effectiveness*.

Aid is only one part of the solution to Africa's development challenges. Development in Africa must be driven by robust, private sector-led growth and effective and accountable states able to finance their development needs from their own revenues. To be truly effective, development must also be accompanied by stronger economic integration across the continent: integration is essential to creating economies of scale that will boost trade and investment and equip Africa to compete in the global economy.

The agenda for development effectiveness that emerged from the meeting requires development cooperation to focus on unleashing partner countries' capacities and resources for development. The most successful kind of aid is aid that eventually does itself out of a job. This means developing aid practices that minimise dependence and promote self-reliance. It means prioritising investments that strengthen national capacities and build up alternative sources of development finance, as per the priorities and principles of the African Union and the New Partnership for Africa's Development (NEPAD)'s program on African leadership and ownership. And it means moving beyond official development assistance to build development partnerships across the globe to support a vision of development that is owned and driven by countries themselves.

AN AFRICAN DEVELOPMENT EFFECTIVENESS AGENDA

The Tunis event identified six elements that are central to an African agenda for development effectiveness. These elements will need to be refined and expanded through discussion and debate over the coming year.

BUILDING CAPABLE STATES

Africa needs effective states capable of delivering development results. Africa's leaders must extend clear political support for the elaboration of clear and implementable strategies to build stronger public administrations. The commitment made by development agencies in Paris and Accra to using and strengthening country systems for aid delivery is important to realising that goal, and we call on development agencies to accelerate progress on this unfinished agenda. They should use country systems as the default position. However, capacity-building needs to extend well beyond the fiduciary protection of aid flows. We call on African countries to determine their own priorities, and exercise clear and decisive country leadership of capacity development.

DEVELOPING DEMOCRATIC ACCOUNTABILITY

Accountability is fundamental to the achievement of development results. We recognise the value of the Paris principle of mutual accountability, reflecting the concept that development partnerships entail mutual obligations. But the accountability that matters most is not between donors and receiving governments, but between the state and society. Development must be firmly anchored in the democratic process. We call for greater investment in the institution of parliament, to ensure that it can assume its central role in the democratic process. We call for communities' greater involvement in the decisions that affect them. Africa also seeks a dramatic increase in the transparency of the use of development funds—both national resources and external assistance. There should be no less than full public disclosure of development expenditure and its results.

PROMOTING SOUTH-SOUTH COOPERATION

It is critical that African countries share ideas and knowledge on development with each other and with developing countries around the world. Africa's development success stories owe much to the lessons of other countries that recently overcame similar development challenges. South-South cooperation represents a partnership of peers, without the hierarchies implicit in traditional technical assistance. We note the critical importance of building stronger learning networks across Africa. We call for the development of new principles to guide South-South cooperation, and the introduction of regional mechanisms for coordination and reporting.

THINKING AND ACTING REGIONALLY

Africa is firmly committed to regional economic integration as a means to achieve the economies of scale that it needs to compete in a globalised world. But investments in development are still overwhelmingly organised on a national basis, with regional needs taking second place. We need to scale up investment in the hard and soft infrastructure required to expand regional markets. We recommend more investment in the capacities of Africa's regional economic communities and urge dialogue with international development agencies on new ways of planning, financing and implementing development projects that span national boundaries.

EMBRACING NEW DEVELOPMENT PARTNERS

The landscape for development cooperation in Africa is changing fast, with emerging economies—particularly Brazil, India and China—becoming increasingly important players. We recognise this changing landscape as an opportunity for Africa, with new and traditional partners playing complementary roles. We encourage African countries to develop policies to base cooperation with middle-income countries on clear rules that produce mutual benefits and synergies. We call for much greater transparency on all sides, to encourage the emergence of a competitive market in aid that harnesses each player's comparative advantage.

OUTGROWING AID DEPENDENCE

Finally, and perhaps most importantly, Africa's future depends upon its ability to fund its development from a variety of sources. While we recognise the continuing importance of aid to Africa's development, we also note that effective aid is aid that minimises dependence. African countries need to grow their way out of aid dependence by making full use of the opportunities offered by international trade and investment and by expanding their domestic capital markets. They need to redouble their efforts to mobilise domestic revenues, which in 2008 represented 10 times the total volume of aid flowing to the continent. To do this, Africa needs fair and efficient tax systems. We call for stakeholders to rethink how aid is programmed and to focus on investments that boost economic growth and promote alternative sources of development finance.



KEYNOTE STATEMENTS

DR DONALD KABERUKA, President of the African Development Bank Group, welcomed the participants to the event. The president noted that the Fourth High-Level Forum on Aid Effectiveness, to be held in Busan, Korea in November 2011, represents a key opportunity to define the aspirations, principles and commitments that will govern development cooperation in the coming years. He called on participants to think critically about the objectives Africa should take into the debate.

President Kaberuka noted the historical significance of the Paris Declaration, which set down the first clear set of principles and commitments to govern the development partnership. The five Paris principles have since come to define good aid practice. Dr Kaberuka acknowledged the leadership of the OECD DAC Working Party on Aid Effectiveness, and noted partner countries' impressive efforts in taking forward what has been a challenging agenda.

*“Aid is only ever a means to an end.
Aid that is truly effective will eventually do
itself out of a job.”*

But he also noted that aid is only part of the solution to Africa's development challenges. If the Paris Declaration has a shortcoming, it is that it has encouraged the parties to spend the past five years talking about the mechanics of aid delivery. It is now time to broaden our focus. If aid is to be truly effective, it

should progressively do itself out of a job. Aid should therefore be designed with this goal in mind—to strengthen, not displace, domestic energy and capacity; and to build up, not replace, alternative sources of development finance. It is this new way of thinking about the development partnership that is captured in the phrase, “From aid effectiveness to development effectiveness.”

President Kaberuka outlined a vision of development in Africa that is driven by strong, private sector-led growth; effective and accountable states; and much stronger economic integration across the continent. In this vision, development is increasingly financed from domestic revenues, trade, foreign investment and expanding domestic capital markets. The great moral hazard of aid is that it can lead players to neglect these alternative sources of development finance. It is time to start rethinking what aid should be spent on and how, so as to create alternatives and avoid fostering dependence.

DR IBRAHIM ASSANE MAYAKI, Chief Executive Officer of the NEPAD Planning and Coordinating Agency, presented his analysis of the historical connections between aid and development. He noted the origins of the development concept in the post-Second World War period, when it was closely identified with income growth. In this period, the state was seen as the agent of development, and aid injected the resources essential for economic take-off. Aid and development therefore went in tandem.

This close identification of the two ideas has begun to break down over the past 20 years. In Brazil, India and Malaysia, new development models not based on aid have appeared. Regional economic integration has emerged as an important factor in the development process, while within states, responsibility for development has been broadened to include local government, the private sector and civil society.

Over the past decade, Africa has made substantial progress and no longer depends solely on aid for its development. Stronger state capacity and transformational political agendas—seen in countries like Ethiopia, Rwanda and Ghana—play an increasingly important

role. Democratic processes have intensified, and the private sector is no longer a mere guest at the table. The state, the private sector and a more empowered society have emerged as the new development trilogy. Increased dialogue and more exchanges of experience among the countries of the South will be key to building collective capacity further.

H.E. DALMAS OTIENO, Minister of State for Public Service, Kenya, questioned whether the nub of the problem is the manner and form of development aid, or the capacity of recipient countries to make effective use of it. He argued strongly that Africa must be put to work—must make full use of its idle resources, both human and material. This calls for practical ideas more than cash. Aid will only be effective when Africa’s public administration has the right structures and systems and a skilled and motivated civil service.

The minister called on African countries to invest in leadership and management skills at the top levels of government. He noted that development agencies often seek to bypass country systems out of mistrust, which only multiplies layers of bureaucracy and increases transaction costs. He called for more trust on both sides, with joint investments in credible public service performance management systems capable of generating clear and visible development results.

“No matter how astute you are in politics, you will not succeed in managing a country in stagnation. Nobody is going to succeed in managing stagnation, with 60-70% of youth educated by global communications and expecting to live in Africa the way youth lives in America.”

“The distribution of Africa’s population – two-thirds of which is below 25 years of age – will constitute Africa’s major political and economic challenge in coming years.”

However, improvement in the performance of the public service is unlikely to occur without the overt and enthusiastic support of top leadership. Government leaders need to be technically competent, politically astute and skilled in addressing institutional needs and challenges in this dynamic global environment.

At present, African political leaders practice politics, while donors practice development economics. Instead, we should be working towards a new politics of development.■

ROUNDTABLE 1: OWNERSHIP, SUSTAINABILITY AND ACCOUNTABILITY FOR RESULTS

The Paris Declaration principle of mutual accountability is perhaps the most contentious of the five Paris principles, and the most difficult to put into practice. Even the Paris Declaration provides little guidance on how it should be done. The two main commitments associated with this principle are more transparent aid flows and joint mechanisms for reviewing progress on aid effectiveness.

While the idea of mutual accountability between donor and partner countries is an important one, by the time of the Accra Agenda for Action, concern was mounting that the concept was too narrow. Governments in developing countries should be primarily accountable not to donors but to their own citizens through the democratic process. Donor governments are also accountable to their parliaments and citizens for their use of taxpayers' money. The Accra Agenda for Action called for stronger parliamentary oversight of development budgets and expenditure, and for more effort to build capacity within parliaments. It placed stronger emphasis on transparency and advocated regular disclosure of the volume, allocation and results of aid. It also called for new mechanisms at the international level to hold donors to account for their commitments.

“Africa does not lack leaders. But the systems that have been set up to promote development are fundamentally lacking in accountability. We have not yet succeeded in building institutions that are bigger than individuals.”

Emmanuel Akwetey
Institute for Democratic Governance, Ghana

The question of how to build greater accountability into the programming and use of development resources remains open. Donors have traditionally placed great importance on the participation of civil society in making, implementing and monitoring development policies and strategies. In recent years, in recognition of parliament's democratic mandate for holding executive government to account, more attention has been paid to parliament's role in overseeing the development process. However, both parliaments and civil society organisations have often

been frustrated with the forms of participation that have resulted from donor pressure. It often appears to them that government and donors make the real decisions behind closed doors, inviting parliamentarians and civil society along at the last minute to validate the results.

Dr Emmanuel Akwetey, Executive Director of the Institute of Democratic Governance in Ghana, discussed the range of accountability mechanisms that have emerged or become more prominent in Africa in recent years. Multiparty elections are becoming more widespread and more meaningful. Parliaments are playing an increasingly effective role, particularly where parliamentary committees enter into alliances with civil society organisations. National aid architecture often includes mechanisms for accountability between governments and development partners, which are being progressively opened up to greater participation by parliament and civil society. And at the regional level, the African Peer Review Mechanism represents the most sophisticated mechanism for identifying and analysing development successes and failures. With 30 countries now voluntarily signed on and 12 country reviews completed, the mechanism has established its objectivity through rigorous review methods.

Roundtable 1 agreed that the priority now is to strengthen African governments' accountability to their own citizens. There is clearly a need for stronger oversight of external financing. But while aid can be a catalyst, it should not be the focus. We need not just stronger fiduciary controls over aid, but greater accountability for development effectiveness as a whole.

“Many MPs see themselves as having a subservient relationship with government, rather than challenging government. If we are to achieve accountability, we need to change the way parliaments work.”

Jean-Baptiste Nouganga
Member of Parliament, Central African Republic

Parliaments are indispensable institutions for domestic accountability. Many participants reported that parliamentary oversight in their countries remains underdeveloped and inadequate. Several African parliaments suffer from significant capacity constraints as a result of high member turnover and little standing capacity for research and analysis. As a result, parliamentarians are still the junior partner in dealings with the executive. By contrast, Kenya's parliament is now playing a much stronger role in accounting for the development process.

Participants agreed that better information flows were essential to improving accountability. Nothing less than full disclosure of development expenditure is necessary. Fiscal transparency includes publishing budget plans and reports and ensuring that the public has ready access to information on the state of public finances and on the structure, functions and financing of public institutions. Many participants argued in favour of an official disclosure policy. Ensuring that more aid flows appear on the budget is also important, as is creating an up-to-date, user-friendly, online database of aid projects. Members of parliament also need technical support to understand various mechanisms for development finance, and the institutional resources to investigate executive conduct.

Mr Ben Turok, Member of Parliament from South Africa, noted that parliaments in both donor and recipient countries share the frustration of being denied information on aid flows by the executive. He recommended establishing joint teams of parliamentarians from donor and recipient countries to investigate aid flows and publicise the results.

“Parliament has reclaimed its rightful place in Kenyan society. Parliamentary committees are operating independently, and they are challenging government on spending. Their investigative power and their ability to challenge the executive are significant.”

Abdirahman Ismail
Member of Parliament, Kenya

Participants also noted the importance of a wide range of domestic stakeholders--including the media, civil society organisations and the private sector--participating in monitoring and evaluation activities.

The first roundtable concluded that accountability mechanisms are unique to each country. Each African country should examine what processes would be most effective in its political and institutional context. ■

ROUNDTABLE 2 : SOUTH-SOUTH COOPERATION AS A MECHANISM FOR DEVELOPMENT EFFECTIVENESS

South-South cooperation has received increasing attention in aid policy circles, and looks likely to be a key theme at Busan. South-South cooperation is assistance provided by one developing country to another. When a northern donor finances the support, the relationship is described as “triangular cooperation.”

South-South cooperation is not a new phenomenon. It preceded the Second World War and was common in the 1970s as part of the new international economic order. China has been supporting development in Africa for nearly 50 years, and the large Middle Eastern development banks have been operating since the 1960s and 1970s. Structural adjustment put South-South cooperation on the back burner during the 1980s, but it is now back at centre stage.

“The G20 is an important innovation in the global architecture. But it still leaves 115 countries without direct representation. Input from non-G20 countries must play an important role.”

Oh-Seok Hyun
Korea Development Institute

What is new is that South-South cooperation has begun to challenge the way we think about development assistance and cooperation mechanisms. Traditional approaches to technical cooperation have often produced disappointing results. Northern players often treat capacity development as the largely technical process of transferring institutional models from North to South. Technical assistance is frequently supply-driven and poorly adapted to recipients’ needs.

South-South cooperation offers an alternative paradigm. When an institution in one developing country partners with its counterpart in another, it brings recent experience of tackling similar development challenges. It can offer specific, tailored advice, rather than generic good practice. Turning to South-South cooperation is also more cost-effective than is retaining the services of northern consulting companies. Perhaps most importantly, South-South cooperation is a partnership of peers free of the negative dynamics that affect northern providers, however well-intentioned. This combination of relevance, flexibility, cost-effectiveness and horizontality holds considerable appeal from an aid effectiveness perspective.

Little information on the scale of South-South cooperation is available, but it appears to be growing in size and diversity all the time. South-South exchanges are still, however, only a minor share of development assistance, and face a number of limitations. The scale of individual projects tends to be small, and no mechanisms have been established for matching demand with supply. South-South projects often lack formal monitoring and evaluation arrangements, so produce little data on impact. And traditional development agencies are still working through the challenges of triangular cooperation, which involves complex coordination among three or more partners, each with its own interests and procedures.

Participants presented examples of successful South-South cooperation in Africa:

- A partnership between the Management Development Institutes of South Africa, Brazil and India under the IBSA initiative
- South African assistance on post-conflict recovery in Rwanda, Burundi and South Sudan
- Cooperation between Nigeria and South Africa on privatisation, under the auspices of NEPAD

The roundtable discussed the extent to which the Paris principles and processes should apply to South-South cooperation. **Dr Talaat Abdel-Malek**, Co-Chair of the OECD DAC Working Party on Aid Effectiveness, believed the principles to be of general application, but noted that some southern providers felt excluded from OECD processes. These processes should be owned by all countries, and not seen as imposed by northern donors. The Chair of the Task Team on South-South Cooperation, **Mr Enrique Maruri Londoño** of Colombia, likewise expressed the belief that the Paris principles were applicable to South-South cooperation, but needed to be contextualised. For Mr Londoño, South-South cooperation is particularly useful for promoting regional and subregional processes: this gives “ownership” a particular meaning, involving different institutional actors.

The roundtable distinguished between South-South cooperation involving large and powerful southern countries like China, and cooperation among African countries. In the former case, African countries risk exchanging one dominant partner for another. **Mr Abdullah Abdi** of NEPAD’s African Peer Review Mechanism called on African countries to be more assertive in managing this kind of cooperation and to focus on the quality of processes as well as on outcomes. This means taking a critical look at the transfer of skills and technology and carefully considering questions of quality and cost effectiveness.

“Traditionally, the hand that gives is always above the hand that receives.”

Soumana Sako
Former Prime Minister, Mali

Participants also called for an increase in the transparency of South-South cooperation, so that recipient countries could assess the costs and benefits of particular types of assistance. This would help build partnerships based on trust. Further, participants called for more efforts to promote the Paris Declaration among the larger southern donors.

In general, the roundtable strongly endorsed the value of South-South cooperation to African countries. Participants saw it as closely linked to the pursuit of economic integration. The roundtable proposed establishing regional centres of excellence, such as specialized hospitals, to help develop expertise across Africa. Participants advocated more use of knowledge networks, such as the African Community of Practice on Managing for Development Results and the African Platform for Development Effectiveness.

The conclusion was that South-South cooperation within Africa should be coordinated on a regional rather than on an international basis, through regional institutions such as the African Union Commission, the NEPAD Planning and Coordinating Agency and the African Development Bank. The roundtable called on these institutions to explore options for regional mechanisms for coordination and reporting. It also called on the OECD-DAC to explore the possibility of developing principles for South-South cooperation for adoption at the international level. It proposed that northern donors increase their funding for triangular cooperation, without abandoning bilateral support. ■

ROUNDTABLE 3: DEVELOPING CAPACITY BY USING AND STRENGTHENING COUNTRY SYSTEMS

In the Paris Declaration and the Accra Agenda for Action, development agencies committed to directing their aid through country systems to the greatest extent possible. Participants agreed that funds provided by aid projects should be managed by national institutions according to their own rules and procedures for procurement and financial management, and that aid should also appear on national budgets so that country partners have a clear view of how their development resources are being used. To make this possible, developing countries pledged to redouble their efforts to reform their systems and make them more effective, accountable and transparent. They promised joint reviews of their systems according to agreed international standards.

“Because of their different accountability systems, aid agencies move at different speeds. Some are cheetahs and move very fast, while others are tortoises. And some are chameleons, changing their approach for every project.”

Naomi Ngwira
Institute for Policy Research and Analysis
for Dialogue, Malawi

These commitments were intended to break a pattern where development agencies create dedicated structures for managing aid projects according to their own rules and procedures. Traditionally, project management units have operated as institutional islands within the recipient administration. This has allowed development agencies to ignore capacity constraints and minimise fiduciary risks. While this process helps ensure that aid dollars are spent as intended, it does so at the cost of an opportunity to strengthen country systems and capacities. Ultimately, what matters most is not whether aid resources are well spent, but

whether a country’s development resources as a whole are used effectively. Aid projects—even very well managed ones—will have little long-term impact if they fail to transform country systems and build the necessary implementing capacity.

Nonetheless, commitments to use country systems and build capacity have proved difficult to implement. Using country systems requires development agencies to change their rules and policies and accept higher levels of fiduciary risk in the name of longer-term development gains. This trade-off is not always easy to explain to ministers and parliaments back home. A few bilateral donors have made using country systems their default approach, but others are still bound by national laws that leave little room for flexibility. And international financial institutions, including the World Bank and the African Development Bank, are governed by boards of directors that are extremely wary of fiduciary risks.

Developing countries have made significant efforts to bring their systems closer to international standards, but major reforms can take years to achieve. There has been a tendency to focus on quick wins—high-visibility initiatives that respond to donor pressure but often neglect underlying problems. Development agencies are increasingly recognising that strengthening budget processes and public financial management is a medium- to long-term agenda. There is evidence, however, that changes in development agencies’ practices have not kept pace with the pace of improvement in country systems.

Ms Mary-Anne Addo, Director at Ghana's Ministry of Finance and Economic Planning, noted the importance of trust in moving forward on this agenda. Donor countries' development agencies remain accountable to their own country's parliament and taxpayers and for that reason, they need reassurance that their aid funds will be used for their intended purpose. However, African countries have a legitimate case for insisting on the use of country systems. One strategy that

Ghana has used to good effect has been to train development agency officials in its national budget system. When officials make the time to understand national systems, they are more likely to trust them.

"If one of us is lagging behind, all of us are lagging behind. But if one of us surges forward, it will be an example for the rest of the continent."

Dalmas Otieno
Minister, Kenya

Mr Abdoulaye Touré, Director of Budget at Mali's Ministry of Finance, noted that development agencies often require partner countries to make extraordinary efforts to change processes and systems, but are not always willing to make the same level of commitment.

Using country systems makes an important contribution to improving the quality and sustainability of results. It gives national stakeholders greater responsibility and accountability, while reducing transaction costs and building capacity. Conversely, using project implementation units with exorbitantly paid staff fragments the beneficiary institution and causes capacity to evaporate at the end of the project.

Mr Touré conceded that national systems still have many shortcomings, such as in human capacity, institutional arrangements, funding levels, transparency, breadth of participation and quality of policies. These weaknesses will not be overcome overnight. However, they do not justify development agencies' failure to use country systems. Strengthening country systems requires joint effort.

Mr Nazifi Abdullahi Darma, Director of Nigeria's National Planning Commission, noted that we face a clash of sovereign rights and accountabilities between donor and recipient countries. He proposed that before Busan, each partner country and its donors take three concrete actions:

- Identify the institutions that are critical to sustainable development
- Agree on common diagnostic tools and carry out baseline assessments
- Decide together on capacity-development strategies and processes to address any gaps identified

The participants agreed that using common diagnostic tools was key to progress in this area. Donors should be clear about the conditions on which their development agencies are prepared to use country systems. Improvements to country systems should then be tracked through regular joint assessments, so that stakeholders agree on what issues are outstanding. In that way, both donors and partner countries can be held to account for their commitments.

Participants also concluded that the country systems that matter are not purely those that manage aid. We should be working to build national capacity for managing development finance and delivering development results more generally. Development agencies' use of country systems is only a means to this wider, more holistic goal. ■



ROUNDTABLE 4: REGIONAL DIMENSIONS OF AID EFFECTIVENESS

Regional economic integration has been on the political agenda in Africa ever since independence. With its low population density, wide geographic spread and low levels of urbanisation, Africa has always recognised integration as crucial to building economies of scale and competing internationally. But regional integration has not proved easy to accomplish. Despite important progress by regional economic communities, investments in regional integration are not yet big enough to produce a major boost to Africa's development.

So far, the aid effectiveness agenda has focused solely on bilateral aid relationships. Is it time to start looking at the regional dimensions of aid effectiveness?

Regional integration is a complex process, often described as having three dimensions:

- **Hard infrastructure:** Developing regional transport, energy and telecommunications networks and making institutional arrangements for their management and maintenance
- **Soft infrastructure:** Removing intangible barriers to the free movements of goods, services, capital and labour, and creating the institutional frameworks necessary to integrate markets for increased trade and investment
- **Regional public goods:** Establishing common arrangements for managing shared resources like water, and financing joint investments in areas that benefit the region as a whole: for example, climate change adaptation, cross-border health issues, and labour migration

While regional integration undoubtedly delivers widespread economic benefits over the long term, in the short run it produces winners and losers, shifting resources (and therefore jobs) from lower to higher productivity areas. Resources tend to flow towards existing clusters of economic activity, leaving economically disadvantaged areas to fall further behind. For this reason, there is a strong case for additional financial assistance to help households and firms manage the transition process and enable lagging regions to catch up.

“We need a change of mindset. We need to start thinking regionally instead of nationally. We need to think not about losing sovereignty, but about gaining opportunities for the private sector.”

Stephen Karangizi
Common Market for Eastern and Southern Africa

There are a number of reasons why investments in regional integration have been challenging. Translating regional commitments into action at the national level has proved problematic. Regional plans are not aligned closely enough to national development programs and interests, usually causing national programs to take priority. The need to negotiate several parties' procurement and financial management systems makes regional infrastructure projects complex to develop and implement. Most regional

economic communities lack the capacity to formulate clear plans and coherent initiatives and implement them. Most also lack effective cost- and burden-sharing arrangements. National governments are reluctant to contribute to regional investments if the benefits are uncertain or accrue more to other countries than to their own.

This roundtable agreed that the regional dimension was a vital omission from the aid effectiveness agenda. It is now more than three decades since the Abuja Treaty and the Lagos Plan of Action, and Africa needs to get serious about investing in regionalism. However, if donors align solely to national strategies, as the Paris Declaration suggests, regional investments will continue to be neglected. We need to think about alignment at the regional level.

RAW FACTS ON AFRICAN INTEGRATION

- Africa has more countries and lower population densities than any other developing region. Nineteen African countries count fewer than 5 million people.
 - Average transport costs in Africa are two to three times higher than costs in other parts of the world, including Brazil and China.
 - The average waiting time at major African ports (Dar es Salaam; Mombasa) is 23-26 days, compared to 3-5 days at other major world ports.
 - Infrastructure deficits lower the productivity of African firms by an estimated 40%.
 - On average, African countries trade just 10% of their goods with each other, compared to 65% of European goods traded within Europe.
 - Intra-African foreign direct investment is only 13% of foreign direct investment to Africa, compared to 30% in South-East Asia.
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Such alignment could be achieved both by coordinating national development strategies more closely with regional priorities, and by donors providing greater support for regional strategies. Roundtable participants argued strongly for pooled or basket funds at the regional level, with funds available for the programs of regional economic communities in accordance with the priorities agreed among member states. This would produce a number of advantages. It would ensure that donor funds are aligned with regional priorities. It would reduce some of the complexities and delays presently associated with developing and implementing regional projects with multiple donor and country systems. And it would lessen unhelpful competition for resources between national and regional objectives.

Mr Stephen Karangizi, Assistant Secretary General of Programmes for the Common Market for Eastern and Southern Africa, proposed that new funding mechanisms be accompanied by more donor investments in building the capacity of regional economic communities. The communities' member states should ensure that the communities have the legal, administrative and regulatory powers to function effectively.

Mr Ben Turok, Member of Parliament from South Africa, argued strongly that economic integration should focus on identifying regional value chains. Each country should pinpoint its comparative advantage and how it can add value to the production of its regional partners. The participants agreed that private sector involvement was essential to identifying these opportunities. African businesses should be much more involved in making decisions about regional integration.

The roundtable discussed overlapping membership in regional economic communities. **Dr Ibrahim Assane Mayaki** of NEPAD argued that each community exists for political reasons, and that it would be very hard to rationalise the over-all architecture. Instead, we should work on harmonising procedures and creating synergies among the communities. ■



ROUNDTABLE 5: FUNDING DEVELOPMENT SUSTAINABLY— GROWING OUT OF AID

The real job of development assistance is to do itself out of a job. The vision of African development espoused at the regional meeting in Tunis was one of capable states that had outgrown dependence on aid and were financing their development from their own resources and their growing attractiveness to global financial flows.

One of the risks that comes with heavy reliance on aid is that it can disincentivize the mobilisation of domestic resources and crowd out other sources of development finance, thereby fostering dependence. To guard against this risk, NEPAD’s founding statement in 2001 urged a balance

“Aid is not the problem. The problem is the dependency syndrome it engenders.”

Dereje Alemayahu
Christian Aid

of funding, with domestic savings and revenue collection supplemented by aid, debt relief and private capital.

So far, the subject of reducing aid dependency has been absent from the aid effectiveness debate. Roundtable 5 concluded that effective aid is depend-

ence-avoiding. Resources should shift towards areas that mobilise alternative sources of development finance. Aid should also be delivered in ways that avoid marginalising domestic energies and resources for development. This calls for a profound rethink of aid practices.

This roundtable reviewed a number of alternative sources of development finance. First, there was broad agreement that better mobilising domestic revenues was fundamental to meeting Africa’s development challenges. In 2008, combined fiscal revenues in Africa reached \$400 billion—over 10 times the total volume of aid flowing to the continent. Yet revenue collection in Africa still lags well behind revenue collection in other regions. This indicates that major resources for development remain untapped.

There are sound arguments in favour of preferring domestic resources to development aid. Financing development from a country’s own economic growth creates a virtuous circle, boosting demand for effective development policies while enhancing the state’s capacity to deliver them. It can transform the relationship between states and citizens in fundamental ways. To increase tax revenues, governments need to demonstrate to citizens that their taxes are being used for the public good. Many see this implicit bargain between the state and taxpayers as essential to the consolidation of democracy.

“The paradigm needs to shift. How can aid be used to reshape economies for shared, inclusive and sustained growth? What role does aid play in fostering productive activity, boosting private sector development and deepening capital markets?”

Neil Cole
Collaborative Africa Budget Reform Initiative

Roundtable 5 noted a number of challenges to domestic resource mobilisation. Many African countries offer excessive exemptions and preferences that make the tax system complex and unfair. Multilateral companies have many ways of avoiding their tax obligations, including transfer pricing practices.

Ms Nathalie Delapalme, Director of Research and Policy at the Mo Ibrahim Foundation, argued for extending the principles of the Extractive Industries Transparency Initiative into other industries, such as cocoa and cotton production. Tightening stock exchange transparency requirements in major financial centres could also make a big difference.

A second approach to ending aid dependence and funding development differently is to strengthen domestic capital markets. The private sector is now the main driver of capital formation in most African countries. Domestic capital finance is potentially much more significant, and less volatile, than either foreign direct investment or aid. In the wake of financial reforms in many countries, Africa's banking sector has grown rapidly over the past decade. A number of observers are excited by the potential of mobile phone technology to extend access to financial services. The banks also need to meet the needs of Africa's growing consumer class. According to some estimates, African will count over 100 million households with incomes over \$5,000 by 2014. A banking sector that channels these households' savings into the productive sector will be critical to Africa's long-term growth. **Mr Lamin Barrow**, Resident Representative for the African Development Bank, argued in favour of lower tax rates to bring more firms and households into the formal economy.

However, participants were acutely concerned about the problem of capital flight, which exceeds capital inflows and may be three times as much as aid flows. Capital flight is a combination of illegal conduct, particularly official corruption, and poor incentive structures for legitimate businesses. **Mr Nkosana Moyo**, Vice-President of the African Development Bank, argued that we should be doing more to create investment opportunities at home. OECD countries could also assist by better regulating tax havens.

“A national consensus on a strategic vision and transformational agenda is the cornerstone for development effectiveness. It helps us mobilise resources – but also gives us a basis for refusing assistance that doesn't fit our priorities.”

Cristina Duarte
Minister, Cape Verde

A third approach to ending aid dependence is to tap the entrepreneurial spirit of ordinary citizens through better access to microfinance. Africa has no shortage of entrepreneurs. With formal employment limited in scope, the poor engage in a wide range of entrepreneurial activities to survive. However, without capital, they are forced into such low value-added activities that they have no surplus to reinvest in creating profitable businesses. In recent decades, microfinance has emerged as one of the most promising strategies for helping the poor break out of the poverty trap.

Targeting citizens who are not yet “bankable”—that is, who are without collateral, formal employment or credit history—microfinance provides small loans for self-employment and micro-business, enabling its clients to smooth over irregular income, weather shocks and expand their productive activities.

Experience has shown that financial service providers are able to operate profitably at the smaller end of the market. Loans are typically provided by intermediary organisations situated between borrowers and a large financial entity. The funds these intermediary organisations generate are then recycled for further lending, multiplying the efficiency of development resources.

The roundtable concluded that a number of actions could be taken to make aid less dependence-creating. Aid flows could be reoriented towards areas (particularly infrastructure) that stimulate private sector growth. The banking sector could be given more support, and major investments could be made in domestic taxation systems, for example to improve capacity and reduce unnecessary and inefficient exemptions. Most importantly, there should be concerted action at the international level to reduce capital flight and illicit transfers by multinational companies. ■

ROUNDTABLE 6: THE CHANGING LANDSCAPE OF DEVELOPMENT COOPERATION—AFRICA AND THE BRICS

The centre of gravity of the global economy is shifting. Over the past two decades, China and India have been growing three to four times the average rate of OECD countries, lifting around 300 million people out of poverty along the way. In 2008, emerging economies held \$4.2 trillion in foreign currency reserves—more than one and a half times the holdings of OECD countries. Even as the global financial crisis was plunging the Western world into debt, foreign direct investment from emerging economies accelerated. China has now acquired an investment stock of more than \$1 trillion in developing countries, while the other BRICs² and countries like Chile and Malaysia have also become active investors. As a result, South-South trade now represents 37% of global trade and is increasing 11 times as fast. Non-OECD countries are also increasingly important providers of development assistance, accounting for 12% of aid flows reported to the OECD.

The implications for Africa are profound. Africa now looks towards a future in which aid from OECD countries is just part of the resource pool available to support its development. But this is uncharted territory. Traditional aid is a known quantity with its own rules and principles, however imperfect. What rules of engagement should govern Africa's new development partnerships with the BRICs?

In some circles, the BRICs' rise as major players in Africa's development has been met with consternation. The BRICs are not regular participants in the OECD DAC donor architecture, and they think about aid and development very differently. Western donors are concerned that the BRICs' policy of non-interference in the sovereign affairs of partner countries may undermine joint international positions on issues like macroeconomic management and good governance. Most importantly, many observers are concerned that the BRICs are blurring the boundaries between aid and commercial investment, undermining the hard-won consensus that aid should be devoted exclusively to reducing poverty.

China in particular makes extensive use of export credits to promote Chinese goods and services in Africa. Some export credits fund the commercial development of natural resources in Africa by Chinese companies, with the loans paid directly to Chinese companies and repaid in kind from

the resources that are developed. Most controversial of all are the major infrastructure loans for which repayment is secured against natural resources. Deals of this kind are attractive to resource-rich but cash-poor countries, because they provide immediate finance for infrastructure development despite the long lead times involved in commercialising those countries' natural resources. But the full economic, legal and financial implications of these agreements can be impossible to assess, and some see them as a cheap means of securing control over Africa's mineral wealth.

“In the 21st century, official development assistance has become a very competitive market. Donors and aid channels are proliferating. The DAC consensus is being challenged by non-Western partners, who are contributing their experience as emerging economies and are focusing on areas of mutual benefit.”

Oh-Seok Hyun
Korea Development Institut

² The BRICs are the largest emerging economies: Brazil, Russia, India and China. South Africa is often included in the group, but in an African context is best treated separately.

At the same time, the BRICs—especially China—take a long-term approach to investment risk that could prove very beneficial to Africa. Their investment model takes into account long-term development return, not just short-term financial risk, making Chinese banks more willing to embark on long-term investments in risky environments. Roundtable participants were attracted by a model of development assistance that makes closer links between financial assistance and long-term trading relationships. They also welcomed the BRICs bringing not just financial resources, but also the knowledge and expertise that they had gained from their own experience as emerging economies.

“I am concerned about the exploitation of Africa’s natural resources. It is clear that the lion’s share of the gain is not going to Africa, but to foreign interests. What do we need to do to change this?”

Talaat Abdel-Malek
Ministry of International Cooperation, Egypt

Roundtable 6 took the view that the BRICs’ role in Africa is complementary to that of traditional donors, and should be seen as an opportunity for Africa. As the **H.E. Olivier Kamitatu Etsu**, Minister of Planning of the Democratic Republic of Congo, made clear, the Chinese are not in Africa as philanthropists, but to secure access to resources. This can represent an honest bargain that benefits both parties. Projects linking infrastructure development to natural resources helped

the Democratic Republic of Congo through a critical phase of its post-conflict recovery. **Ms Elaine Venter**, Practice Team Leader in Capacity Development for the United Nations Development Programme, explained how, when presented with a clear set of requests from South Africa’s government, China agreed to construct vocational colleges and training farms, using local rather than Chinese labour. So long as African countries are clear as to what they want, they stand to benefit from the relationship.

The roundtable stressed transparency as a key principle for dealing with the BRICs. African countries must be able to assess the true costs and benefits of offers of assistance and make informed decisions. African countries should insist on full public disclosure of the terms of all support from the BRICs, and on the greater use of competitive tenders to ensure value for money. They should also insist on appropriate social and environmental safeguards.

Overall, the roundtable concluded that a competitive market in development assistance is in Africa’s interests. Much can be learnt both from OECD donors and from the BRICs.■

CLOSING PRESENTATIONS AND KEY MESSAGES

Dr Ibrahim Mayaki, Chief Executive Officer of the NEPAD Planning and Coordinating Agency, congratulated the participants on a vibrant and engaging discussion. He noted how African views on development cooperation had matured, with far more commitment to a country-led, coherent, coordinated and results-driven development agenda. Africa is also increasingly looking at the global picture. As we move towards a multi-polar world, power relations are shifting, and Africa is beginning to voice its position in new global forums such as the G20.

*“Development is about learning by doing.
There are many roads to Damascus.
Aid is unhelpful if it suggests only one set
of solutions.”*

Donald Kaberuka
African Development Bank Group

There is no question that in this dynamic global environment, development cooperation needs to change. Africa must take a clear position on the processes of change now underway. We should recognise how far we have come over the past five years, and not throw the baby out with the bathwater. But we should also look at the limitations of the current aid effectiveness agenda, and find ways to move forward.

Mr Nkosano Moyo, Vice-President of the African Development Bank, noted how the theme of the regional meeting—“from aid effectiveness to development effectiveness”—had resonated strongly throughout the discussions. He took this as a strong affirmation of the need for home-grown solutions to Africa’s development challenges. This is about Africa taking responsibility. Africans fully recognise that they are part of a global family, and value the support of our development partners. But Africa must be in charge of its own development agenda. In Mr Moyo’s words, we must not let the aid tail wag the development dog.

In closing, participants agreed that a number of strong messages had emerged. The first was the need for more effective and accountable states. The meeting called on African states to define for themselves what needs to be done, in what sequence and at what cost, in order to build stronger states, and then to measure their progress towards those goals. Development agencies are constantly tempted to set the agenda, but we know this is not the route to sustainable results. Let Africans do it themselves, even if they do it with hesitation.

The second message is the need to anchor development in much stronger domestic accountability. We must not let the development process be owned by a handful of experts in government and donor agencies. That disempowers the people it is intended to benefit. To create a positive political dynamic, we must ensure that African societies are able to hold their governments to account for development results.

Third, participants noted that African development success stories like Cape Verde drew extensively on lessons from other developing countries. OECD countries may have been through similar development processes long ago—the corruption and conflict that Africa faces today once characterized development in the North. But those processes have faded from memory and OECD countries often forget just how awkward and clumsy the development process can be. Southern partners, in contrast, have faced similar development challenges in living memory. Having made their own mistakes, they can set us right in a way that is not patronising or disempowering. We can learn from them without denial or umbrage, making for much healthier development partnerships.

“We want to see aid continue, but not play a dominant role. Aid should have only a modest influence on policy. It should not be the driving force.”

Ben Turok
Member of Parliament, South Africa

The fourth message was that developing regional markets is fundamental to Africa’s future development. The size of the market is critical to the success of African business. We must agglomerate markets and realise economies of scale. This element has been missing from the aid effectiveness agenda. We need to reorient development cooperation to support regional processes.

Finally, the meeting affirmed the need to reconfigure development partnerships to make aid less addictive. For all the importance of aid to Africa’s development, we must be able to one day leave aid behind us. This is not to deny the efficacy of aid. But we must not use aid to build things that consume resources if we lack the means to provide those resources—that is the path to addiction. Aid should be front-loaded to support Africa’s productive sector by building up infrastructure and the financial sector. The changes that result will free private enterprise to grow and generate surpluses and will enable Africa to finance its own development. ■





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