Chapter 3

Aid Architecture in Support of Development Effectiveness

INTRODUCTION

The structural problems in and between the institutions involved in allocating and spending aid money are analysed in this chapter. The aid system which has grown over the past few decades has many inefficiencies and perverse incentives which frustrate sensible planning and delivery of aid programmes on the ground. These must be changed if individual officials are to be enabled to use aid to empower local groups to change lives for the better.

Akongbowa Bramwell Amadasun reviews several of the important international mechanisms which channel aid to Africa. He finds that the many instruments developed outside Africa are ineffective because they have design, accountability and ownership flaws. These criticisms apply to International Monetary Fund (IMF) programmes, debt relief and also budget support. Despite some changes in the way that the IMF and other international agencies operate – for example linking their interventions to Poverty Reduction Strategies – their fundamental way of working remains to pressure governments to take certain actions even at the expense of citizens' views.

Amadasun suggests that new mechanisms that originate in Africa, for Africa, stand a better chance of enabling decisions that empower and support large numbers of impoverished people. These mechanisms include the Pan-African Parliament (PAP) and the African Peer Review Mechanism (APRM). However these institutions are nascent and have yet to fulfill their full potential. To reach their potential these African bodies must develop authority to scrutinise the interventions of the international financial institutions (IFIs). These bodies will have to overcome several challenges. These include improving who is selected to represent African citizens, increasing public awareness and discussion of the bodies, and developing an independent source of financing for their own operations. If they overcome these challenges the PAP and APRM may be able to prevent international agencies from imposing policies and pressures from outside the region and enable a flourishing of democracy from below.

Edward Ssenyange also analyses the aid system that has grown since the Second World War through decisions taken by bodies such as the G8. He emphasises that the rich countries repeatedly fail to implement their side of the bargain. The vast majority of them have failed to provide the levels of aid funding they promised, in contrast with their ability to mobilise over US$4 trillion in a few weeks to bail out their banks following the international financial and economic crisis. Furthermore the costs of conditionalities, such as trade liberalisation, privatisation, fiscal austerity and state retrenchment, have far exceeded all the external assistance received.

In particular, aid is increasingly being used to promote a trade liberalisation agenda; the rich countries continue to subsidise their agricultural production and exports, flooding African markets with cheap food stuffs at the cost of local production. Similar challenges result from moves by donor projects to use aid to support their own security and foreign policy agendas as well as from illicit capital flight, much of it facilitated by international companies operating in Africa.

An appropriate governance framework and focus on rural and agricultural development as a basis for social transformation should be at the centre of development strategies. African countries should avoid a rapid integration into the world economy without increasing the value-added of their industries and exports. South-South cooperation can help African countries take advantage of technologies appropriate for their industrialisation.

Lois Woestman analyses two key elements of official aid effectiveness practices: division of labour and harmonisation. She assesses these processes which are intended to reduce transactions costs and enable more money to reach the people on the ground who need it. Woestman examines whether aid effectiveness processes have helped European Union (EU) donors meet their commitments to promote gender equality and women's empowerment.

She finds that EU donor harmonisation has prioritised technical mapping exercises rather than the effects on development outcomes such as gender equality. These processes have focused on sectors rather than on policy commitments, excluding cross-cutting issues. When they consider gender at all, EU donor harmonisation processes aim to meet the MDGs which have a narrow definition of gender equality. Harmonisation processes have also tended to be donor-driven rather than based on Southern country policy priorities.

EU harmonisation efforts have marginalised Southern country governments and civil society groups. Europe needs to unequivocally advocate a people-focused development model with gender equality as a central pillar. Efforts need to be based on the highest common denominator of the EU's international commitments on gender equality in order to have a strong link with development effectiveness.

Bodo Ellmers assesses the role of public procurement in determining the impact of aid. A substantial share of public procurement in developing countries is funded through ODA. Public procurement has largely been liberalised over the last three decades with an emphasis on least-cost market approaches. This tendency has begun to reverse with public procurement becoming a key element of governments' attempts to stimulate their economies and address climate change.

Case studies in Namibia, Ghana and Uganda show that social and environmental components of procurement are rarely taken into account in current public financial management (PFM) support programmes. There is evidence that procurement reforms have been used to lever open markets for foreign companies. Certainly, too few development contracts are won by developing country companies even where aid is formally untied.

The Paris Declaration commits governments to assess and improve the transparency, accountability and performance of country procurement systems. Donors agreed to avoid parallel procurement and further untie aid. Since the Paris Declaration was signed there has been a surge in donor funding for public finance management. Donors argue that governments should prioritise putting in place a simple cost-efficient procurement system without additional objectives. Instead of this restrictive approach, development effectiveness principles should be introduced in all procurement related to development cooperation.

Current official processes on aid effectiveness have only scratched the surface of the transformation in systems and mindsets that will be needed to bring about real national ownership and citizen-led foreign aid. The current patchwork of institutions and initiatives causes confusion and prevents genuine bottom-up planning and control of funding. This undermines aid's effectiveness on its own account and has pernicious effects on national governance and planning mechanisms. International and regional commitments and mechanisms are available to help citizens uphold their rights. The articulation between institutions at local, national, regional and global levels will have to be changed to enable effective and equitable development from below.

The Potential Roles of African Union Mechanisms in Aid Accountability and Effectiveness

Akongbowa Bramwell Amadasun, African Forum and Network on Debt and Development

Introduction

In the last two decades, Africa has assumed an unusual prominence on the agenda of international institutions and summits. International declarations include the Millennium Development Goals (MDGs) and the New Economic Partnership for Africa's Development (NEPAD) where a host of facilities, programmes and instruments or packages have been announced to try to implement these initiatives. Most of these instruments were not designed in Africa and lack Africa's ownership and inputs. They have mainly enabled aid donors to expand Africa's belt tightening and have compounded Africa's unsustainable debt crisis. This has worsened poverty, deprivation and hunger.[1] Aid must be made more effective by enhancing accountability and democratic participation by African citizens.

Three major instruments are especially important for aid effectiveness in Africa. They are the International Monetary Fund's (IMF) Poverty Reduction and Growth Facility (PRGF) and Policy Support Instrument (PSI), the Heavily Indebted Poor Countries (HIPC) debt relief initiative and Budget Support (BS) funding that is provided by several development agencies.

These instruments are currently ineffective development tools in Africa due to several accountability and democratic ownership deficits.[2] New mechanisms that originate from Africa – including the Pan-African Parliament (PAP) and the African Peer Review Mechanism (ARPM) – may provide better opportunities for African ownership and citizen-led foreign aid.[3] This paper assesses the potential role for the PAP and the APRM in the context of other mechanisms, and proposes more intensive use of African participatory and democratic structures in aid administration.

International development finance mechanisms

Aside from traditional aid projects and programmes, the international community has introduced several new development finance instruments including general budget support, debt relief, and the IMF's PRGF and PSI.

Budget support refers to donors channelling international funds through recipient governments' national budgets rather than to specific sectors or projects. This aims to strengthen national systems and management capabilities. The European Commission (EC), World Bank (WB) and other official development agencies channel finance through budget support.[4] Budget support, however, often involves a control culture in which donors interfere with the whole policy framework of beneficiary countries, imposing complex policy conditions and performance targets in the name of poverty alleviation.[5] This has occurred for example in Uganda and Tanzania.

Heavily-indebted poor countries can access debt reduction in exchange for committing to adjustment programmes defined by the WB and IMF.[6] Accessing debt relief involves going through hoops in a piecemeal fashion, with progress largely determined by the prevailing political will among G7 official creditors rather than through transparent negotiations between creditors and debtors. This has made the policy towards the policy objective of a "robust exit" from the burden of unsustainable debt elusive.[7]

The IMF launched the PRGF ten years ago as its mechanism for funding low-income countries. Governments must produce a Poverty Reduction Strategy Paper (PRSP) if they want to access PRGF funding. However, the IMF has not been proactive in assisting governments to broaden the participatory process of preparing PRSPs. The IMF has also been unable to inform a debate with other relevant institutions including bilateral donors. Many of the Strategy Papers have not focused on country-specific characteristics and circumstances, as protests in Uganda have for instance shown. There has been too much emphasis on demonstrable short-term increases in social expenditures to the exclusion of a medium-term budgetary outlook. Thus PRSPs' results have so far fallen well short of expectations.[8]

The IMF introduced the Policy Support Instrument in 2005. It is designed to assist low-income countries that do not want IMF financial assistance but need the Fund's advice, monitoring and endorsement of their economic policies. Approval by the IMF's Executive Board signals IMF endorsement of the country's policies to donors, multilateral development banks and markets.[9] The PSI is little different from the previous controversial aid and structural adjustment programmes. The conditionality demanded by the IMF varies little from previous practice. So far the PSI has been introduced in only six African countries. The IMF maintains a dogged insistence on low deficit ceilings and inflation rates at the expense of growth and provision of basic infrastructures and services to citizens of subscribing countries. African citizens lack ownership and democratic participation in the decision to access the PSI.

These programmes or instruments are potentially important for transferring finance between the wealthier nations and African states. They currently appear ineffective, however, largely because official bodies do not realise that ownership should mean citizen control, not just government control.[10]

African mechanisms to deepen ownership

At the same time African governments have introduced two promising mechanisms. African scholars contend that the Pan-African Parliament (PAP) and the Africa Peer Review Mechanism (APRM) have the capacity to deepen ownership and improve African stakeholder participation in originating, formulating, implementing and monitoring development programmes.[11]

The PAP is a major institution of the African Union (AU), established under the Union's constitutive act. It aims to provide a platform for Africans – including grassroots organisations – to be more involved in discussions and decision making on problems and challenges facing the African continent. The Parliament provides a platform to demand that African governments deliver on promises by investigating poor management at both national and continental levels.

However several commentators are sceptical about the ability of the PAP to intervene in critical economic governance, including over foreign aid and international development finance. Ayashe Kajee considers the PAP's actions to date as indicating that it is a mere talking shop lacking the tools to challenge the political and economic governance transgressions which have fuelled poverty, conflicts, hunger and underdevelopment.[12] The PAP's deliberations and actions fall short of its claimed oversight roles to safeguard democracy.

The PAP has failed to clarify the extent to which nations should be held accountable to the supranational parliament. There is insufficient democratic participation of both citizens and national parliamentarians in the decision making, implementation, monitoring and evaluation of official development policy instruments and programmes. The PAP has also done too little to call on national parliaments to urge their government to uphold and demonstrate their sustained commitments to transparent, accountable and effective management of global and continental programmes. Surprisingly, the PAP has also done little to urge African governments to sign up to the APRM.

The APRM has the potential to help break the cycle of pandemic political and economic indiscipline on the African continent. It can help countries accept appropriate benchmarks and instruments for political, social, economic, and institutional conduct. The APRM represents a major reform instrument for the conduct of good governance.

When acceding to the APRM, member states must satisfy a number of democratic self-assessment, monitoring, transparency, accountability and stakeholder participatory standards. These good governance and institutional process standards also cover how to manage development aid through participation by all stakeholders and national democratic ownership. They can face sanction under the APRM if they do not meet these. This places the burden of compliance on members.

International development finance institutions determine the social, political and economic performance of African countries. The ARPM should have an oversight function over conditionalities of international financial institutions (IFI) with a view to realign conditions with the regional interest. Although neither the PAP nor APRM have convening power (political or financial) derived from elections or control of armed forces, they can make a difference through stakeholder participation. Stakeholder engagement should involve capacity-building, creating avenues for information flow, and active engagement.

The APRM is however criticised on many fronts. Specifically, it is accused of being a product of the Washington Consensus and merely repackaged to look home-grown. The issue here is that APRM represents a post-Washington Consensus instrument and the strategic kernel of NEPAD that provides a framework for re-engineering and re-positioning Africa's development agenda in a new strategic partnership with Northern countries. This was conceived at the height of a post-Cold War neoliberal orthodoxy. Consequently, its conceptual trappings or influence draws largely from the Organisation for Economic Cooperation and Development (OECD) model of Economic Peer Review Mechanism (EPRM) and Policy Framework (PFI). Thus the APRM is largely regarded as a neoliberal instrument for the continued ownership and tight control of foreign aid and development finance to Africa, as well as for tightening the grip of Northern economic interests on the continent. It is also highly ambitious and difficult to implement.[13]

PAP/APRM also appears toothless with respect to human rights and governmental transparency in corrupt and dictatorial African regimes. These include: Zimbabwe, that has been ruled by Robert Mugabe's dictatorship since independence; the corrupt regime of oil-rich Gabon that has been ruled by Omar Bongo's dynasty; Libya, that has been under the dictatorship of Mummer Kaddafi for over 30 years; and Equatorial Guinea, Angola and Sudan, that have been ruled by African dictators Teodoro Obiang, Eduardo dos Santo and Omar Bashir. The APRM has not reviewed these governments and the APRM and PAP are both conspicuously silent on the widely reported abuses of human rights, lack of governmental transparency and dictatorship of these regimes. Their failure to challenge governance transgressions means that these transgressions are tacitly backed by many African governments.

Constraints and questions

The PAP and the APRM both face constraints on their ability to intervene in the management of foreign aid and development finance in Africa.[14] These constraints include the following:

- The mechanism by which people are selected to represent their nation's citizens in the PAP is questionable – they are either selected through a patronage network or come from countries that are one-party states.
- Most of the parliamentarians selected lack technical expertise in international finance or political economy.
- The PAP and APRM do not have independent sources of funding outside the funds contributed by AU member states and therefore lack the courage to challenge governments or aid donors.
- These agencies lack the institutional and functional autonomy to explore strategic and critical governance issues.
- Too few Africans know about the PAP and APRM.
- Neither the PAP nor the APRM have the capacity to organize multi-stakeholder meetings on important governance issues or on international finance instruments.

The constraints of the PAP and APRM raise several questions. These include:

- How can the PAP and APRM be made more independent of individual African governments?
- How can African states be prevented from overriding PAP and APRM investigations and reports?
- How can sustainable incentive structures be put in place for the PAP and APRM to mobilize citizens' ownership and participation in their own mechanisms as well as in discussions on development assistance?
- How can the PAP and APRM engage a process of debate and negotiations between African citizens and between national, regional and local parliaments to compare approaches to foreign aid, donor coordination and aid ownership?
- To what extent are the PAP and APRM able to assess the strengths and weaknesses of stakeholders' participation in official aid facilities and instruments and able to make recommendations for improvement?
- How can the PAP and APRM assess and consult with government officials, parliamentarians, political parties representatives, civil society organisations (CSO) and others to ascertain if the programmes of IFIs reflect the true situation on the ground and citizens' wishes?

Being rigorous in answering these questions will ensure a more thoughtful approach to building an accountable and vibrant PAP and APRM within the context of effective development aid/finance governance in the African continent. The PRGF, BS, PSI and other donor-supported programmes should be consistent with the overall strategy and mandate of PAP and APRM. The PAP and APRM interventions in Africa's development aid/finance should also ensure the following:

- Guarantee national ownership and participation of citizens (or stakeholders).
- Promote an environment for capacity-building.
- Ensure sustainability and reduce poverty.
- Enable a more meaningful and focused partnership between recipient governments, donors and stakeholders, increase the understanding by all stakeholders of African government policy aspirations, and provide a better and more transparent platform for dialogue.

In addition, interventions should also encourage members of parliament and the APRM to report on how far their government has ensured national ownership and participation of their citizens, civil societies and national parliament in accessing, implementing monitoring and evaluation of development assistance.

Conclusion

The PAP and APRM are relatively new and there is as yet little empirical evidence on their effectiveness. However they represent what may be the start of a gradual transfer of political sovereignty from national oversight institutions to regional political oversight institutions.

The implications of this arrangement for continental governance and stability and the effectiveness of development aid/finance are of wide and long-term social, political and economic importance. If this power shift is to take place it will require that national parliaments surrender some of their sovereignty to the supranational parliament and peer review agencies. This requires a consistent relationship between supranational parliaments and national democratic mechanisms.

The PAP and APRM should ensure that the PRGF, PSI, budget support and other donor-supported programmes help rather than hinder the economic, social and political development and stability of the region. In addition, their policies and programmes should be consistent with the PAP and APRM mandates. Their interventions should: guarantee national ownership and citizens' participation; promote an environment for capacity building; ensure sustainability and reduce poverty; and ensure better and more meaningful and focused partnerships between donors and recipient states.

The PAP and APRM should be able to prevent international agencies from destabilising economic and political pressures and manipulations within the union by obstinate and corrupt governments, as well as by neoliberal instruments policies/ programmes and institutions.

African leaders owe a duty to their citizens to put accountable, transparent and participatory mechanisms in place, and to relate to the IFIs and other official donors on the basis of integrity, mutual respect and ownership. In countries where conditions are bad, the PAP and APRM should recommend how to move forward. It is only under such conditions that the continental mechanisms can provide a basis for intervention in situations considered at variance with the principles of the PAP and the APRM. In addition, the PAP and APRM should be made up of a panel of eminent persons selected through a credible election process.

Donor, IMF and WB policies and programmes have deepened the democratic deficit in Africa. The PAP and APRM could help counter this tendency by fostering a culture of representation, accountability and ownership, including of internationally-funded programmes.

The PAP and APRM should support foreign finance institutions only if they perceive that they are meeting the interest of Africa. The PAP and APRM can help guard against non-transparent and non-participatory policy processes and outcomes. The PAP and APRM should try to depoliticise external interventions in Africa as a matter of justice and because democratic and local support acrucial conditions for the effectiveness of policies and programmes.

Endnotes

1 Johannes Hoffmann, Fight Against Poverty by Sustainable Development, in Globalisation and African Self Determination: What is Our Future? Obiora F. Ike (Ed). Enugu: CIDJAP Publications, 2004, pp.139-137. And Henry Kaufman, International Lender of Last Resort: Discussion, In Rethinking the International Monetary System, Jane Sneddon Little and Glovanni P. Olivei: Boston: Federal Reserve Bank of Boston, 1999, pp. 198-201.

2 Patricia Adams, Odious Debts: Loose lending, corruption, and the Third World's Environmental Legacy. London: Probe International, 1991, pp.39-87. And Afrodad, The Legitimacy of External Debts: The case of the Democratic Republic of Congo. Harare: Afrodad, 2005, pp.4-12.

3 Dirk Willeem te velde, Economic Policies in G-20 and African Countries During the Global Financial Crisis: who is the Apprentice, who is the Master? Draft, 23, prepared for AERC Conference or Rethinking African Economic Police Nairobi, Kenya, December 2009.

4 Hadziyiannakis, Yannis and Mylonakis John, The Budget Support Instrument New Paradigm: Can it Finance Ownership in Development Assistance? International Research Journal of Finance and Economics, Issues, 2006. http://www.eurojournals.com/finance.htm.

5 Hadziyiannakis, Yannis and Mylonakis John, the Budget Support Instrument New Paradigm: Can it Finance in Development Assistance? International Research Journal of Finance and Economics, Issues, 2006. http://www.eurojournals.com/finance.htm.

6 IMF Fact Sheet; Debt Relief Under Heavily Indebted Poor Countries (HIPC) Initiative, 2008. http://www.imf.org/external/np/exr/facts/hipc.htm.

7 Northover, Henry: Key Note Address at the International Policy on New Sovereign Debt Restructuring Mechanism Organized by Inwent of Germany, February 21-22, 2003. Devilish Details, briefing on MDRI Implementation, Eurodad, 2005.

8 Kumar, Ramesh C, Poverty Reduction and the Poverty Reduction at the IMF: Carving a New Path or losing its way? The Centre for International Governance Innovation Working Paper No. 18, February 2008.

9 IMF Fact Sheet, The Policy Support Instrument, November, 2008.

10 Kumar, Ramesh C, Poverty Reduction and the Poverty Reduction at the IMF: Carving a New Path or losing its way? The Centre for International Governance Innovation Working Paper No. 18, February 2008. Fazioi, Antonio, Globalisation, Economic Progress and Poverty Reduction, In Globalisation and African Self-

Determination: what is Our Future? Obiora F. Ike (Ed). Enugu CIDJAP Publications, 2004, pp.63-78.

11 Opoku, Eric Albert, Effective Stakeholders Participation in the APRM Process for the Promotion of Democratic Governance: A Case Study of Ghana. Oslo: United Nations Development Programme Oslo Governance Centre Fellowship Programme, 2006. Kajee, Ayeshe, Adding Beef to Africa's Parliament, Development Cooperation International Journal, Volume 32, July 2005.

12 Kajee, Ayeshe, Op. Cit, 2005.

13 African Forum and Network for Debt and Development; "NEPAD and AU a Partnership Out of Africa";. AFRODAD,2004, pp.78-100.

14 Akongbowa Bramwell Amadasun, Building Development Capable States in Sub-Sahara Africa: PAP and APRM as Credible Tools for Good Governance, State Accountability Prevention of State Failure, in Democracy, Leadership and Accountability in Post-Colonial Africa: Challenges and Opportunities, Tony Edoh and Terhemba Wuam (Ed). Markurdi: Aboki Publishers, 2009, pp.489-490.

The Reality of Aid Partnerships in Africa

Edward Ssenyange, Uganda Debt Network

Introduction

International aid donors view development effectiveness as a matter of redefining governance and conditionality, complemented by capacity-building. Too little attention is given to reforming the aid architecture for Africa. This article analyses the status quo and proposes changes to the international aid system, including aid for trade, as well as complementary measures on trade liberalisation and capital flight.

The aid system

The international aid system emerged after the Second World War, when the United States of America (USA) used aid funds to help rebuild Europe. During the Cold War era, from the 1960s to the 1980s, foreign aid was often used to support ally states in the developing world rather than to support global ideals of effective development and good governance.

After the end of the Cold War in 1990, the focus of official aid was directed towards promoting development. In 2000 the main focus was defined as achieving the United Nations (UN) Millennium Development Goals (MDGs). These cover crucial development issues such as poverty, primary school education, gender inequality, child mortality, HIV/AIDs and other diseases.

Financing the achievement of the MDGs in poor countries like Uganda has been discussed at several UN conferences. In March 2002 in Monterrey, Mexico, three key sources of development financing were identified: official development assistance (ODA); debt relief; and foreign direct investment (FDI).[1]

In 2005, G8 governments agreed on two channels of development financing for MDGs namely: doubling aid to Africa to US$50 billion per year by 2010; and cancelling 100% of the debt that some countries owed to the International Monetary Fund (IMF), World Bank (WB) and African Development Bank (AfDB).[2] Due to these efforts, ODA flows to developing countries increased.

However there is international consensus that African countries will not achieve most of the MDGs by 2015. One of the key reasons is the failure of developed countries to honour their repeated commitments to more and better aid, even as the developed countries mobilised over US$4 trillion in a matter of a few weeks to rescue their economies in the wake of the international financial and economic crisis. Another stumbling block is the global economic and financial crisis which curtails the flow of finance and undermines the prices of raw materials, the major content of Africa's exports.

The reality of aid flows to Africa

ODA flows to Africa comprise, to a large extent, emergency relief for natural disasters such as droughts and earthquakes, humanitarian assistance for refugees and internally-displaced persons, and debt relief. The real new development funding that flows to Africa is a small component of overall ODA flows. Furthermore, much aid is tied to the purchase of donor country goods and services, including the procurement of overpriced goods and services, obsolete equipment and inappropriate technology.[3]

Aid with conditionalities cannot play a key role in stimulating an economy and is instead a burden. The costs of conditionalities, such as trade liberalisation, privatisation, fiscal austerity and state retrenchment, have far exceeded all the external assistance received. These conditionalities have been implemented by the Government of Uganda and the negative social economic impact has retarded the economy and harmed peoples' livelihoods. These aid conditions were implemented in Uganda during the 1990s with adverse effects on livelihoods and the economy. Unemployment and poverty levels rose. Economic sectors were distorted at all levels, including the rural economy where the cooperative mode of production was suddenly dropped.

It is estimated that aid conditionalities cost Africa about US$1.6 billion per annum and that only one-third of the aid promised by Organisation for Economic Cooperation and Development (OECD) countries is real aid, with two-thirds returning to donor countries in the form of contracts, debt repayments and costs for refugees and students in donor countries.[4]

Furthermore, there exists a gap between donor commitments and actual delivery. According to an Oxfam International report, the European Development Fund has, since 1975, never disbursed more than 43% of aid promised to the African, Caribbean and Pacific Group of States.[5]

The reality of Aid for Trade

A new challenge in recent years is the Aid for Trade agenda which aims to transform ODA into an instrument for trade liberalisation. The European Union (EU), USA and international financial institutions (IFIs) contend that the solution for Africa is more trade-oriented policies. Trade-related policies, such as free trade agreements in compliance with World Trade Organisation (WTO) rules and export-led growth strategies, are becoming a key factor in determining aid allocations.[6]

However, key trade liberalisation advocates, several of whom are OECD countries and major donors to Africa, have a two-faced approach. They subsidise their food producing sectors at six times the magnitude of aid to poor countries. Furthermore, they flood Africa's markets with cheap subsidised food and other products which destroy domestic production and hence increase dependence on imports. These are paid for with new aid from these same countries and institutions.[7]

Uganda, for example, receives donor support to implement HIV/AIDS interventions but procures the Anti-Retro Viral (ARV) drugs from donor countries. This is despite the fact that Uganda has invested in an ARV factory that is reputed to be the most technically advanced of its nature in Eastern and Southern Africa so far.

An outright liberalisation/free trade policy will continue to inflict heavy costs on African countries because they are still net exporters of raw and semi-processed materials. These face deteriorating terms of trade on the international market.[8]

According to a Christian Aid report, trade liberalisation is responsible for huge terms of trade losses incurred by African countries and has caused increased dependence on external financing.[9] Trade liberalisation has proven costly to Africa and is estimated to have cost African countries a staggering US$272 billion between 1980 and 2000. The purchasing power of African country exports to manufactured goods declined by 37% between 1980 and 1990, while real commodity prices excluding oil fell by more than 45% during the same period and by 25% from 1997 to 2001.[10]

With trade liberalisation, Africa's share of exports and imports continues to decline dangerously.

One example of the bad effects of free trade in Uganda is the biscuit industry. Until August 2008 this supported 2,000 jobs. Then the market was distorted by cheap biscuit imports from India and China. Ugandan consumers were swayed by the cheap biscuit imports, local production quickly fell by 40%, and 25% of employees were laid off. The cement industry in Uganda was similarly affected.

Likewise, in Nigeria, rice imports undermined domestic production and the country became the world's largest importer of rice. For Nigeria, the challenge of attaining self-sufficiency lies in improving the quality and competitiveness of domestic rice.[11]

It is prudent for African countries to advance in value-added production and in manufacturing before embracing free trade Economic Partnership Agreements (EPAs).

An aggravating scenario is the current international terrorism agenda which has caused the USA to tend to the militarise aid. An African Command (AFRICOM) has been launched and a substantial part of United States Agency for International Development Aid (USAID) aid will prioritise security-related projects over the achievement of MDGs. This will definitely have an adverse effect on the development effectiveness of aid in Africa.

Another challenge to achieving the MDGs and effective development is the failure of developing countries to reach appropriate agreements with FDI companies and allowing corporations to escape taxation, make little or no public investments, and even engage in capital flight of huge magnitudes. Even the Commission for Africa acknowledges that tens of billions of dollars are stolen from Africa, helped by the complicity of western banking and financial systems (UNCTAD, 2006). UNCTAD (1998) states that if the illegal wealth held abroad were repatriated, gross capital formation in Africa would be three times higher than it currently is and even eliminate the need for foreign aid.

There has also been a failure to effectively mobilise remittances from Africa's expatriates abroad (UNCTAD, 2007). Minimum estimates show that current official minimum remittances by African expatriates to their countries are 2.5% of gross domestic product (GDP). With better utilisation, official and unofficial remittances could be an important source of international development finance, making a significant contribution to GDP.

Achieving development effectiveness in Africa

The realisation by all development partners that aid was not likely to achieve the MDGs and was actually imposing huge costs on developing countries contributed significantly to the emergence of an international aid effectiveness movement from the late 1990s. Donor countries have been working with each other, and with developing countries, to harmonize their work and thus improve the impact of aid.

The aid effectiveness movement gathered momentum at the 2002 International Conference on Financing for Development in Monterrey, Mexico. With the Monterrey Consensus, the 2005 Paris Declaration and the 2008 Accra Agenda for Action (AAA), donors and developing countries are apparently on the right track in realising the principles required for aid effectiveness such as ownership, alignment, harmonisation, managing for results and mutual accountability.

African countries and Uganda in particular are still a long way from achieving a quality social infrastructure. This is lacking in areas such as formal and technical education, health, social security, disaster preparedness, housing, energy, communications and transport, environmental sustainability, and research and development. The finance and economic infrastructure is also still underdeveloped. Development finance could have more of an impact if it was designed to appropriately target these development drivers.

Promoting a governance framework is a vital aspect of achieving development effectiveness and includes the development of appropriate democratic institutions that prioritize rights, community participation, social accountability, peace, rule of law, conflict resolution and security.

Despite immense exploitation, Africa still has immense resources in the form of its people, minerals, land, water, forests, and potential regional markets. It is essential that these potentials are harnessed for the benefit of Africa through regional cooperation approaches.

Rural and agricultural development must be at the centre of development strategies focusing on the social transformation from a low-productivity economy to achieve a higher-productivity economy. New strategies should embrace modern agricultural production technologies, the economics of comparative advantage and agri-business, and agrarian reforms. These developments would all lead to a shift from subsistence modes of production to larger-scale strategic production.[12]

Finally, a good understanding of global economics and implications for Africa is essential to drive Africa's economy in a positive direction. Economic managers in Africa have to know how to negotiate for Africa's interests. Embracing full-scale free trade is not going to help Africa but rather will exacerbate a huge net transfer of resources out of the continent.[13]

There is also a need to strengthen South-South cooperation to take advantage of the vast resources and technology at the disposal of the countries of the global South. Some of these countries have managed to develop technologies for their economies which would be very appropriate for Africa's industrialisation. These Southern countries could be very useful development partners in this regard.[14]

Conclusions

Since the commencement of the international aid and development effectiveness agendas, development partners have not done enough to reform the aid architecture for Africa. They need to focus on supporting the drivers of development on the continent: socioeconomic infrastructures; governance framework; regional and South-South cooperation; modernisation of agriculture; and the capacity of economic managers.

ODA flows have to be redirected towards the drivers of socioeconomic development in Africa because much aid is flowing to emergency relief, humanitarian assistance and debt relief which do not directly impact on aid and development effectiveness.

Africa should also look beyond aid. Africa economic managers and trade experts need to identify opportunities that will lead to enhanced self reliance. Africa should gain from trade in value-added exports, and economic managers in Africa should not underestimate returns from mobilizing remittances from African expatriates abroad.

Endnotes

1 European Union, (2008) 'Draft Council Conclusions on Guidelines for EU Participation in the International Conference on Financing for Development', Doha, 29th November - 2nd December 2008, Brussels, 3rd November.

2 Action Aid (2005) Real Aid: An Agenda for Making Aid Work, London, Action Aid.

3 Oxfam International (2006) 'Unequal Partners: How EU – ACP Economic Partnership Agreements (EPAs) could harm the Development Prospects of many of the World's Poorest Countries,' Oxfam Briefing Paper, London, September. Oxfam International (2007) 'The World is still waiting'. Broken G8 Promises are Costing Millions of Lives,' Oxfam Briefing Paper, London, May. Oxfam International (2008) 'If not now, when?', Oxfam Briefing Note, London, November.

4 Oxfam International, 2007, 2008, op. cit..

5 Ibid.

6 Amin Samir (2005) Afrique, Exclusion Programme ou Renaissance? Paris,

7 Oxfam International (2006) 'Unequal Partners: How EU – ACP Economic Partnership Agreements (EPAs) could harm the Development Prospects of many of the World's Poorest Countries,' Oxfam Briefing Paper, London, September.

8 UNCTAD (2005) Economic Development in Africa: Doubling Aid: Make the 'Big Push' Work, New York and Geneva, United Nations.

9 Christian Aid (2008) Death and Taxes: The True Toll of Tax Dodging, London, Christian Aid.

10 Christian Aid (2005) The Economics of Failure: The Real Costs of "Free Trade" for Poor Countries, London, Christian Aid; UNCTAD (2006) Economic Development in Africa. Rethinking the Role of Foreign Investments, New York and Geneva, United Nations.

11 Chuma Ezedinma (2004), Impact of Trade on Domestic Rice Production and the challenge of Self-sufficiency in Nigeria. International Institute of Tropical Agriculture P.M.B 5320, Ibadan, Nigeria.

12 Dembele, D. M. (2005) 'Is Aid the Answer?' Alliance Magazine, September Economic Commission for Africa (ECA) (2008) Africa Economic Report 2008, New York, ECA.

13 Ibid.

14 Ibid.

Development Effectiveness? EU Donor Division of Labour and Gender Equality in Southern Countries

Lois Woestman, Women in Development Europe Network

Introduction

Gender equality has long been central to European Union (EU) donor and Southern governments' development policies, at least on paper. They have agreed that, as the majority of the poor in Southern countries are women and girls, tackling gender inequalities is vital for eradicating poverty.[1] It is also a moral imperative and a question of justice. Governments have signed a series of international conventions and policy documents expressing their commitment to gender equality. These include the Beijing Platform for Action, the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW), and the Millennium Development Goals (MDGs). EU donors have also committed themselves to implement the EC *Communication on Gender Equality and Women's Empowerment in Development Cooperation*, and the recently released *EU Action Plan on Gender Equality and Women's Empowerment in External Relations* (GAP). However, implementation of these gender commitments by both donor and Southern governments has been inadequate.

Donor harmonisation has the potential to improve fulfilment of these commitments. This article discusses four reasons why this potential has not been met.

Firstly, EU donor harmonisation has to date focused on technical matters, such as mapping donor activities and defining comparative advantages and roles, rather than on the effects of these changes for development outcomes, such as human rights and gender equality. Secondly, in the process they have focused on sectors rather than on policy commitments, tending to exclude consideration of issues such as gender equality which are seen as cross-cutting. Thirdly, when they do consider gender policy commitments, instead of focusing on meeting the array of their policy commitments mentioned above, EU donor harmonisation processes aim to meet the MDGs. The MDGs are based on a narrow definition of gender equality which reinforces traditional gender roles rather than challenge the underlying power structures that create them. Finally, harmonisation processes have tended to be donor-driven, rather than based on Southern country policy priorities, including many of those mentioned above.

These can and should be changed to tackle gender inequalities and promote genuinely effective development. In fostering "ownership" in the harmonisation process, donors need to ensure that they strike a balance between government and non-governmental actors. Southern civil society organisations (CSOs), including women's organizations, as well as government actors, need to be supported to play their role in ensuring that donor and Southern governments' gender commitments are realised.

The harmonisation agenda and gender equality

In some Southern countries, as many as 20 donors can operate in the same sector, each with their own programming and reporting requirements and conditionalities. Such fragmentation of efforts is inefficient and results in high transaction costs for both donor and Southern governments.

In the Paris Declaration on Aid Effectiveness (PD) and the Accra Agenda for Action (AAA), donors committed to enhance their aid effectiveness through, amongst other things, improved division of labour (DoL). Donors should be able to achieve more for less money by avoiding duplication and instead complementing each other's work.

There is potential to improve gender equality in Southern countries through this process of harmonisation under the aid effectiveness agenda. Rather than multiple and disjointed efforts, donors could develop coherent, strategic and connected plans to ensure that gender inequalities are tackled effectively.

However, gender equality advocates have found that harmonisation is not achieving its potential for tackling gender inequalities. In response to the PD and in the run-up to the AAA, they identified four major concerns for gender equality in the way that harmonisation is being implemented by EU donors.[2] These are set out below as they are outstanding concerns.

Firstly, critics note that EU donor division of labour tends to be regarded by donors as a technical and non-political process. To date, donors have focused on the means of aid allocation rather than on development outcomes such as human rights and gender equality. Most work on DoL amongst donors has simply mapped donor activities and clarified donor comparative advantages and roles.

Secondly, their ability to implement gender equality has not been high on the agenda. In fact, the division of labour and harmonisation agendas can lead to the marginalisation of gender equality and women's empowerment. This is because division of labour efforts are currently organised around sectors – such as agriculture, transport, or health – rather than around development policy goals. Most donors and Southern governments define gender equality as a cross-cutting issue, which means it does not fit easily within such sector-focused harmonisation efforts. There are few dedicated efforts to achieve division of labour specifically around gender equality. Gender issues may therefore fall between sectors and become sidelined.

Thirdly, when they do talk about development outcomes, the stated aims of harmonisation efforts are to meeting the MDGs. These constitute a narrow definition of development and of gender equity. The MDGs contain a much narrower understanding of gender inequality than the rest of the agreements and documents mentioned above. Therefore, an approach based solely on the MDGs reinforces traditional gender roles rather than challenges underlying power structures that create gender equality.

Finally, harmonisation efforts to date often focus on donors coming together to discuss their aid agendas and priorities. This strengthens a donor-driven approach, and reduces the "ownership" of Southern countries of harmonisation processes. In fostering "ownership", donors need to ensure that a balance is struck between governmental and non-governmental actor input. Southern CSOs, including women's organisations, need to be supported to play their role in ensuring that donor and Southern governments' gender commitments are realised.

EU division of labour efforts

The European Commission (EC), and to a lesser degree EU member states, have been playing a lead role in the global donor division of labour agenda. EU donors have begun to reorganise which of them are present and active in different Southern countries and sectors, and to harmonise their procedures.

When the European Commission and the EU Member States in the OECD Development Assistance Committee (DAC) agreed to the principle of harmonisation among donors, it was considered especially urgent given the foreseen scaling up of aid. However, the global economic crisis has changed the tone of division of labour discussions toward how to do more, or better, with less aid.

The EU Code of Conduct of Member States' Division of Labour in Development Policies (CoC) was passed in 2007. The CoC is based on eleven principles designed to "reduce the administrative formalities, to use the funds where they are most needed, to pool aid and to share the work to deliver more, better and faster aid". The first five principles address the DoL of EU donors within Southern countries. (**See Box 1**)

The 2009 EU *Operational Framework on Aid Effectiveness* reconfirmed DoL as a key aid effectiveness strategy for EU member states by promoting the EU *Fast Track Initiative on Division of Labour and Complementarity*.[3] This "aims to support a selected group of partner countries in the process of implementing in-country DoL".[4]

The European Commission also issued an EU *Toolkit for Implementation of Complementarity and Division of Labour in Development Policy*.[5] The Toolkit is intended to be a practical guide for in-country DoL. There are three main steps:

1. Assess the current situation
2. Donor self-assessments and decisions about lead donors
3. Joint analyses and donor response based on proposed division of labour

Box 1: EU Code of Conduct of Member States' Division of Labour in Development Policies

- Each EU donor is to work in a maximum of three sectors per partner country (division of labour is not required for general budget support and assistance to non-state actors and research).
- Ensure involvement of at least one EU donor with appropriate competence in every sector relevant for poverty reduction, and limit the number of active EU donors per sector to a maximum of five.
- Redeploy funds programmed for other sectors on the basis of negotiations with Southern country authorities.
- Support the establishment of lead donor arrangements in all priority sectors.
- Delegate to other donors authority to administer funding in certain sectors.

Gender: Lost in harmonisation?

Donor mappings

As part of situation assessments, the Toolkit recommends that current and projected aid flows to Southern countries, and across sectors within them, be mapped. This can be used as a basis for donors and government planning and negotiations. By the end of 2009, donor mappings had been carried out in almost all (24 of the 27) fast-track and other countries for which there was information in the second Fast Track Initiative monitoring report.[6]

To be consistent with their gender equality commitments, mappings of funds earmarked for gender equality and funds for activities which have a clear gender equality component should be part of these processes. No mapping should be considered complete without them. EU donors should support gender-responsive budgeting efforts already underway, and the introduction of them where they are not yet in process, to help track funding. Such mappings should ideally be carried out by government and CSO actors in tandem.

Consultations

The Toolkit suggests that Southern governments be consulted in the initial phase of donor harmonization. The Toolkit and CoC insist that Southern governments should lead harmonisation processes. The focus to date on donor self-assessments of comparative advantage and definition of roles, and donor in-fighting about them, however, has reinforced Southern countries' impression that harmonisation is donor-driven. Moreover, the Fast Track monitoring reports show that Southern governments have hesitated to take the lead because of lack of management capacities, fear of losing donor funding or influence over its re-programming, and concern about donors "ganging up" on them.

Southern governments should be assured that the amount of their development assistance will not be cut if they take the lead role in harmonisation processes. EU donors should consult and support CSOs, including women's groups, to participate in harmonisation processes.

Donor assessments and lead donor choices

The Toolkit also recommends that EU donors carry out self-assessments to identify their comparative advantages, use these to reduce the number of sectors they work in, and decide who will be the lead donor in each sector. The second Fast Track monitoring report showed that, by the end of 2009, donors had carried out comparative advantage self-assessments in only eight of the 28 partner countries for which there was evidence available. Only a few of these had peer or Southern government – much less CSO – involvement.

At country level, donors sometimes developed an assessment tool. The EU 2010 Aid Effectiveness Annual Report mentions that nine EU member states took part in a joint programming exercise during the mid-term review of the EC's development cooperation instruments.[7] These processes led to the drafting of a complete country strategy, including shared donor response, in 11 Southern countries. However, there is no commonly agreed framework to determine donors' comparative advantages.

Jointly agreed definitions of sectors – the basis for donor DoL revisions – were still missing in more than half of the reviewed countries. And yet lead donor arrangements were made in 18 countries.

This means that choices of lead donor were not based on relative comparative advantages but on other considerations. Lead roles also varied. There seems to be a consensus that lead donors are to function as the main liaison of EU donors with the partner government, including representing donors in policy dialogues. Yet beyond this there is a lack of common understanding as to what this means in practice. Little reprogramming across sectors had taken place.

The Aid Effectiveness Annual Progress Report 2010 claims that all but four EU donors have carried out comparative advantage assessments. It argues that "practical results are being achieved through cooperation in sector involvement, and by establishing EU thematic platforms". However, it does not provide details. It also documents that, in many of the countries, EU donors continue to work in more than three sectors, concluding that "this shows there is still room for improvement".

The second Fast Track monitoring report mentions that "cross-cutting issues are taken into account" in 15 of the 27 countries for which there was information. Gender equality is considered one of these issues. These are "covered in the respective agreements or by specifically assigning lead donors for some of the cross-cutting issues". It does not say how EU donors are dividing up gender equality work or whether a "lead donor" responsible for gender equality has been chosen. These gaps reinforce the concern that donor gender equality commitments are being lost in harmonisation processes because they are not the focus of any single plan of action such as those developed for sectors.

Southern governments and Southern CSOs should both be supported to develop their own criteria for donor comparative advantage, and propose which donors they would like to work with and on what. Women's groups' assessments of donors' records vis-à-vis gender equality should be part of these assessments. DoL revisions should then also be based on these. This broadened inclusion of stakeholders would enhance 'ownership' of what has been a donor-driven process, and help Southern governments as well as donors focus on their gender equality commitments.

The GAP proposes that a single donor, with supporting donors, be chosen as lead for gender equality work. This is a step in the right direction. Lead gender equality donors for the country must be charged with ensuring coherence not only with the MDGs, but also with Beijing, CEDAW and EC gender equality policies and procedures, and implementing them via this network. Criteria would need to be developed to ensure that these donors demonstrate sufficient competence and commitment.

However, lead donors on issues not defined as sectors may likely face challenges well-known to gender mainstreaming actors: too many responsibilities, and too little authority and money to go along with them. Country lead donors must ensure that gender equality work is given the primacy of place that donor and Southern country governments assign it in their commitments. Sufficient funds need to be ensured for this work.

Joint and gender analyses

The Toolkit recommends that country context analyses be jointly drafted by donors and Southern governments be left until after aid mappings and donor assessments and re-assignments of roles have been carried out. This leaves consideration of donor and government gender equality commitments and implementation track records until after donors propose DoL revisions.

The connection between DoL and broader development goals is meant to be made in joint country context analyses but, if carried out after donor DoL has been reorganised, these analyses are done too late. A joint country context analysis should be the starting, not the end, point of DoL revisions. This would help focus DoL on gender equality commitments and explain why they have not been realised.

Joint country analyses, sector gender analyses, gender audits, assessments and evaluations, gender-responsive poverty and social impact assessments should be carried out in the initial stage of donor DoL revisions. Analyses should make specific links between gender equality and harmonisation efforts – and indicators should be attached to them. These could usefully be linked to Beijing and CEDAW processes.

Donors and governments, with CSO input, should ensure that gender equality is prominent in Joint Assistance Strategies. CSOs should be integrated into these processes. Donor-government coordination groups on gender equality could play a role here. The transformation of donor-government coordination groups on gender equality from information sharing platforms to influential actors in development planning would help.

Monitor and evaluate

Donors and Southern governments rightly argue that it is difficult to distinguish the effects of different aid effectiveness measures. This is essential to gauge if and how the new aid modalities are having the affects they are assumed – and often asserted – to have. However, the Toolkit does not mention monitoring and evaluation. No monitoring/evaluation criteria have been developed to connect harmonisation and development effectiveness goals – including on gender equality.

Assessments in the Fast Track Initiative reports and the Aid Effectiveness Annual Progress Report are mostly focused on the CoC principles. They feature the number of donor assessments, lead donors identified, reprogramming under way, etc. The only exception is a section entitled "measuring impact" in the second Fast Track monitoring report. Donor field and partner government staff were asked to express their opinion on the contribution of DoL to development effectiveness. Approximately 30% claimed none at all, 55% a small effect, and 15% a medium effect – none reported a "high" effect.

Moreover, the Fast Track Initiative reports note that to date harmonisation has increased, not decreased, transaction costs for donors and party country governments alike through its reporting requirements.

Broader criteria beyond the narrowly-defined CoC technocratic indicators must be developed to monitor and evaluate the development effectiveness of donor harmonisation.

The evaluation of 'reprogramming' in the annual Fast Track Monitoring and EU Aid Effectiveness reports should identify shifts in gender equality programming. This could be deduced in part from the gender-specific statistics provided in donor mappings. Donor support for gender budgeting processes would facilitate the elaboration/checking of such statistics. The reports should compare the effects of these programme shifts against progress made toward meeting Beijing and CEDAW commitments by donors and Southern countries alike.

Conclusions

The new aid effectiveness modalities have introduced a new round of policy commitments and procedures. Pre-existing commitments and tools should also still be implemented. However, in focusing on the newer modalities, most donors and Southern governments are paying less attention to these previous commitments.

EU donor division of labour and harmonisation efforts have progressed slowly and represent a missed opportunity. If these processes were implemented with a broader definition of development effectiveness in mind, then it could improve EU donors' fairly dismal track record in implementing commitments to gender equality in Southern countries.

As implemented to date, harmonisation carries the possibility that the policies of the least progressive donors, or most limited progress indicators, may be used as the lowest common denominator shared by all collaborating donors – or gender equality may disappear altogether.

EU donor harmonisation policies, implementation and monitoring efforts need to ensure coherence between harmonisation and gender equality commitments beyond the MDGs.[8] Efforts need to be based on the highest common denominator of the EU development cooperation gender equality policy commitments and the Beijing and CEDAW commitments of all actors. If they are, the harmonisation agenda will have a much stronger link with development effectiveness.

Furthermore, EU harmonisation efforts have marginalised Southern country governments and, even more so, civil society groups. Ownership has therefore remained minimal. And they have given mixed messages: social policy objectives of equality, fair distribution and social security on the one hand, neoliberal leaning economic policies on the other. EU donors and politicians need to take a strong and unified stance in debates and processes on development models. Europe needs to unequivocally advocate a people-focused development model with gender equality as a central pillar. Donor harmonisation efforts will remain stymied as long as they are embedded in a model of development which generates and perpetuates gender inequality.

Endnotes

1 Countries receiving EU donor assistance are referred to here as "Southern", in line with the use of the term "global South".

2 AWID, WIDE, FEMNET and DAWN *Brief Issue Paper on Harmonisation and Gender Equality,* prepared for the Accra High Level Forum 3, as input into the roundtable "Harmonising and doing business differently at the country level - rationalising aid delivery, division of labour". www.awid.org/.../download/.../Brief%20 Issue%20Paper%20Harmonisation%20vfinal-1.pdf

3 European Commission (2009) *Operational Framework on Aid Effectiveness,* http://www.consilium.europa.eu/eudocs/cms_Data/docs/pressdata/en/gena/111263.pdf

4 Fast Track Monitoring Report, 2009. http://www.dev-practitioners.eu/fileadmin/Redaktion/GroupsFolders/Division_of_Labour/Report_DoL_Monitoring_Update.pdf

5 European Commission (2009) *EU Toolkit for the Implementation of Complementarity and Division of Labour in Development Policy* (http://capacity4dev.ec.europa.eu/eu-toolkit-implementation-complementarity-and-division-labour-development-policy)

6 EU Technical Seminar on Aid Effectiveness (30.11.2009) *Second Monitoring Report of the EU Fast Track Inititiative on Division of Labour and Complementarity (*see Annex 3 of document found at http://www.oecd.org/dataoecd/21/50/44729615.pdf

7 European Commission (2010) Aid Effectiveness – Annual Progress Report 2010, http://www.reliefweb.int/rw/lib.nsf/db900sid/SNAA-85696C/$file/SEC_2010_0422_COM_2010_0159_EN.pdf

8 The DAC 2009 *Gender Equality, Women's Empowerment and the Paris Declaration on Aid Effectiveness: Issues Brief 5: Managing for Gender Equality Results on Partner Countries* has concrete examples of gender equality-oriented aid effectiveness activities.

References

AWID, WIDE, FEMNET and DAWN *Brief Issue Paper on Harmonisation and Gender Equality,* prepared for the Accra High Level Forum 3, as input into the roundtable "Harmonising and doing business differently at the country level - rationalising aid delivery, division of labour". www.awid.org/.../download/.../Brief%20 Issue%20Paper%20Harmonisation%20vfinal-1.pdf

DAC 2009 *Gender Equality, Women's Empowerment and the Paris Declaration on Aid Effectiveness: Issues Brief 5: Managing for Gender Equality Results on Partner Countries*

European Commission (2007) *Communication on Gender Equality and Women's Empowerment in Development Cooperation.(*http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52007DC0100:EN:HTML)

European Commission (2007) *EU Code of Conduct of Member States' Division of Labour in Development Policies,* available at http://www.aideffectiveness.org/media/k2/attachments/EU_Code_of_Conduct_on_Division_of_Labour.pdf

European Commission (2009) *Operational Framework on Aid Effectiveness,* http://www.consilium.europa.eu/eudocs/cms_Data/docs/pressdata/en/gena/111263.pdf

European Commission (2009) *EU Toolkit for the Implementation of Complementarity and Division of Labour in Development Policy* (http://capacity4dev.ec.europa.eu/eu-toolkit-implementation-complementarity-and-division-labour-development-policy)

EU Technical Seminar on Division of Labour and Complementarity (30.1.2009) *Monitoring Report: EU Fast Track Inititative on Division of Labour and Complementarity* www.dev-practitioners.eu/.../Division_of_Labour/Report_DoL_Monitoring_Update.pdf

European Commission (2010) Aid Effectiveness – Annual Progress Report 2010, http://www.reliefweb.int/rw/lib.nsf/db900sid/SNAA-85696C/$file/SEC_2010_0422_COM_2010_0159_EN.pdf

European Commission (2010) Staff Working Document: *EU Plan of Action on Gender Equality and Women's Empowerment in Development: 2010-2015*. http://ec.europa.eu/development/icenter/repository/SEC_2010_265_gender_action_plan_EN.pdf

Reforming Public Procurement Systems for Development Effectiveness

Bodo Ellmers*, European Network on Debt and Development

Introduction

Public procurement constitutes a substantial share of gross domestic product (GDP) in all developing countries, and the largest share of government spending excluding wages. In the European Union (EU) in 2009, just 0.44% of gross national income (GNI) was provided as official development assistance (ODA), whilst public procurement accounted for 16%. For developing countries, public procurement is estimated at between 15% and 20% of GDP.

Budget support and programme-based approaches are increasingly used under the current aid effectiveness agenda, so a substantial share of public procurement in developing countries is funded through ODA. Both the Paris Declaration (PD) and the Accra Agenda for Action (AAA) assert that using country procurement systems increases the effectiveness of aid. Procurement practices have become an on-going topic for dialogue between donor and recipient governments.

Due to its economic significance, public procurement has enormous developmental, distributional, social and environmental impacts. The procurement policies and practices of both aid agencies and recipient country governments therefore need to be monitored. Until the 1980s, targeted public procurement was used in many countries as an integral part of development strategies – with varying success – in particular under import-substitution strategies in Latin America.

However, the surge of neoliberalism from the 1980s saw the international financial institutions (IFIs) imposing policies on developing countries. These included attempts to reduce interventionism and transform public procurement into a neutral act of purchase by governments.

Yet the strategic – not just administrative – function of public procurement is becoming a key element of governments' attempts to address climate change and the depletion of natural resources. In countries with severe income inequality, procurement is seen as a tool to improve social justice. The global economic crisis which started in 2008 revived procurement as a developmental instrument when governments began to inject economic stimulus funds into affected sectors to maintain productive capacities, jobs and income.

Procurement is rules-based and embedded in a policy framework which can differ from country to country. However it should always respect international rules and norms, including the International Labour Organisation (ILO) core labour standards and the United Nations (UN) Universal Declaration of Human Rights, Millennium Declaration and Millennium Development Goals (MDGs) as well as UN declarations on social development, women and sustainable development.

The vast majority of the world's nations have endorsed and/or ratified these international commitments so they should be reflected in national policy frameworks and in key

* Sylvi Rzepka provided valuable research assistance.

strategic government functions such as public procurement. In particular, key activities of international cooperation such as ODA should mirror these principles and be targeted towards their objectives.

This article outlines a framework for procurement to be development-effective. It goes on to analyse to what extent this framework is currently mirrored in development cooperation activities in the field of procurement.

Development-effective procurement

ODA is largely considered to be a North-to-South financial flow provided by rich countries to fill the capital gaps poor countries face when trying to boost development and fight poverty. The Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) databases contain very detailed information on how much ODA each donor provides, to which recipient, and in which sector. However, it is procurement at a later stage of the project cycle which decides which economic actors enjoy the profits of the contracts available.

The development effectiveness of ODA is not limited to the eventual output of a project, such as of a road or a school. It is also positively correlated to the share of ODA that flows to economic actors from developing countries in the creation of those outputs. Capital provided to local actors is injected directly into the recipient country's economy, increases turnover and profits for the firms contracted, and creates jobs and income for the people employed. Moreover, developing country suppliers are much more likely than foreign ones to spend their income and profits within the country, thus creating positive economic cycles.

Many governments have identified and used public procurement as a policy tool for advancing social, ethical and human rights goals, for mitigating regional, social or ethnic disparities, or for promoting decent work. McCrudden points out that historical examples from the North include England's late 19th century attempts to do away with sweat shops through targeted procurement, and the extensive use of public procurement for job creation under the New Deal in the United States of America (USA) of the 1930s.[1] He argues that the shortcomings of other regulatory methods and the political limits to seeing public contracting as simply a commercial activity speak in favour of using procurement as a socioeconomic policy tool.

Modern examples can be seen in post-apartheid states such as South Africa and Namibia, where public procurement has been used as an integral part of Black Economic Empowerment policies aimed at previously ethnically-disadvantaged groups.[2] The impact of ODA on poverty eradication should be higher the more contracts are awarded to actors from less developed regions or the poorest people. [3] Indicators for measuring the poverty eradication results of procurement are the number of decent jobs created for previously unemployed people, or the income increase for people who previously lived below the poverty line.

Environmental performance is becoming the next big thing in public procurement. Even from a pure economic and cost-efficiency perspective, it is widely accepted that bodies undertaking procurement need to assess the life-cycle costs of a product. While a car that consumes larger amounts of fuel might cost less to buy, the higher running costs may make it more expensive in the long-run. In public procurement, however, it is also important to consider the external costs which are ultimately borne by the public. Environmentally harmful products will have greater public costs in terms of pollution clean-up or the climate change adaptation and mitigation measures.

Beyond cost-efficiency considerations, the potential of green public procurement to transform the economy to a sustainable growth path is acknowledged. The European Commission (EC), for example, states that: "Public procurement can shape production and consumption trends and a significant demand from public authorities for 'greener' goods will create or enlarge markets for environmentally friendly products and services. By doing so, it will also provide incentives for companies to develop environmental technologies."[4]

Reforming procurement systems under the aid effectiveness agenda

The PD commits to establish mutually agreed frameworks for assessing the transparency, accountability and performance of country procurement systems (CPS). Partner countries committed to lead on procurement system reforms, and donors pledged to assist partners in strengthening CPS. Donors also agreed to avoid parallel procurement and make continuous progress in further untying aid.[5]

ODA disbursements for public financial management (PFM) have increased more than three-fold since the PD was signed in 2005 and reached US$644.5 million in 2008.[6] Most recipient countries have PFM support programmes funded by foreign donors. Lack of capacity, technical skills and accountability are usually the main constraints identified (by donors) when designing programmes for strengthening PFM and procurement systems.

Three recent Eurodad case studies conducted in Namibia, Ghana and Uganda show little indication that the knowledge transferred and capacities built consider development effectiveness principles.[7] The procurement system reforms implemented have largely followed the recommendations of donor-driven official procurement system assessments. Modules for strengthening the social or environmental components of procurement are rarely taken into account in current PFM support programmes.

The most influential assessment tools are the World Bank's (WB) Country Procurement Assessment Report (CPAR) and the Public Expenditure and Financial Accountability (PEFA) assessment, formally a joint venture by WB, International Monetary Fund (IMF), the EC and a number of bilateral donors. A third tool is the Methodology for Assessment of Procurement Systems (MAPS), which was developed for the Paris Monitoring Survey by the OECD-DAC Task Force on Procurement, a part of the OECD-hosted Working Party on Aid Effectiveness.

There have only been a few examples of developing country governments assessing their own procurement systems. Thus, donors, in particular multilateral development banks, have obtained an enormous influence on how developing countries spend their public funds. Yet most public money is not raised through ODA but through taxes, tariffs or levies contributed by their own citizens. In aid-dependent countries, and especially in countries which participated in the Heavily Indebted Poor Countries (HIPC) debt relief initiatives, the influence of externally imposed assessments in shaping procurement system reforms is particularly high.

Procurement policies or practices of open and competitive bidding are taught as best practice.

This is ostensibly this is to reduce corruption and favouritism which remain serious challenges and lead to inefficiencies and suboptimal outcomes in public service delivery. This is why the use of additional criteria than simply cost-efficiency tend to reduce the score of the assessed country, and may lead to donors cutting aid or disbursing less as budget support.

MAPS, for example, clearly states that: "the legal framework should make open competitive tendering the default method of procurement… The decision criteria for award should be based on awarding to the lowest price evaluated tender… Vague criteria (e.g. award to the tender most convenient to the interest of the state) are not acceptable." [8] It only looks favourably on: "programs to help build capacity among private companies, including for small businesses and training to help new entries into the public procurement marketplace".

Most citizens, however, would think that ensuring public monies are spent in the public interest is exactly what public service officers are supposed to do – as long as the public interest is clearly defined. Furthermore, donors and in particular multilateral development banks reveal a somewhat hidden free trade agenda when promoting liberalisation of procurement policies through training and capacity building.

An unpublished WB paper outlines the main aims of procurement reform support as to: "contribute significantly to the trade objectives, through greater openness. By adopting Bank-equivalent policies for all public procurement, countries will be less likely to use such procurement inappropriately for purposes of domestic protection... The Bank aims to ensure that there is a fair and level playing field for foreign firms to participate under procurement processes that are expected to attract international competition." [9]

The Bank's attempts to align developing country systems to its own systems fundamentally violates the ownership principle, the main aid effectiveness principle of the PD. Public procurement has been discussed within the World Trade Organisation (WTO) negotiations, and developing countries have resisted the economically advantaged nations' proposals to liberalise, highlighting the need to keep public procurement as a strategic economic policy tool.

Modules for strengthening the social or environmental components of procurement are rarely taken into account in current PFM support programmes. A donor representative interviewed by Eurodad in Uganda stressed the need to not overload the reform agenda, saying "maybe it is not the right time to be so sophisticated, the system needs to be robust first".[10] Yet this is a missed opportunity. As Sadikin argued in a case study on sustainable procurement in Indonesia: "Weaknesses of Indonesian public procurement … could also be seen as opportunity, since a conventional procurement system can be developed in parallel with sustainable procurement."[11]

It is hard to understand why donors provide huge amounts of ODA for developing "robust" procurement systems while leaving reform towards development effective procurement systems for a second round of reforms in future.

Using country procurement systems

Donors not only committed to strengthening CPS under the PD but also to using them to a maximum extent. This aims to strengthen governance in recipient countries and to put developing countries in the driver's seat. Using CPS also provides a solution for the harmonisation challenge. Donors' own procurement regulations differ, creating significant technical and bureaucratic barriers to successfully bidding for tenders. These are particularly important for small and medium enterprises (SMEs).

In the AAA, donors are obliged to use CPS as the first option. In cases when they procure through parallel implementation units, donors should promote local and regional procurement to allow local and regional firms to compete. Donors also committed to untie aid to a maximum extent and respect international agreements on corporate social responsibility.[12]

The constraints for scaling-up the use of CPS are often be found on the donor side of the development cooperation equation, a fact that is insufficiently addressed by the current aid effectiveness agenda. In some cases, donor legislation may be in conflict with developing country legislation for development effective procurement. The US Millennium Challenge Corporation's rules mean that it cannot use the CPS due to preferential treatment clauses in the Namibian Tender Board Act for local firms as well as for firms owned by previously disadvantaged groups.[13]

Much progress has been made with regards to untying aid in the follow-up to the 2001 DAC Recommendations of Untying Aid to the Least Developed Countries; however challenges remain particularly in the fields of food aid and technical assistance.[14] The US government faces legal constraints to untying food aid.[15] Technical assistance consultancies tend to be provided in kind or solely sourced from donor countries' pools of pre-qualified professionals.[16]

Despite donors committing to use CPS as the first option and not to establish new parallel project implementation units, parallel procurement by donors remains quite persistent. Assessing the results of procurement is a challenge since donors are not obliged to report on contract awards in a systematic way that allows assessment of the development effectiveness of donor's parallel procurement. However, the Danish Institute for International Studies analysed a sample of 327 aid contract awards and found that 201, or 61.5%, were awarded to firms in the donor country that provided the ODA. A further 24 went to other DAC countries' firms, and only 102 to firms from developing countries in which development projects are actually implemented. [17]

These results clearly demonstrate that donors still intentionally or unintentionally favour their own firms when procuring goods and services even now that most aid is formally untied. There is still a lack in transparency in tendering; tenders often come with pre-qualification criteria which Southern firms can hardly meet, and project sizes may often be too big for SMEs from Least Developed Countries. Since companies from developing countries still remain largely excluded, the full potential developmental impact of ODA is reduced. A large share of ODA is actually not an inflow to developing countries but a roundflow – funds that flow from Northern budgets to Northern firms.

Furthermore, Eurodad's case studies found that the UN is almost an exception in using social or environmental criteria to influence parallel procurement on the ground. The UN is "increasingly attentive to promoting environmentally and socially sustainable development through its procurement" and two-thirds of UN agencies are reporting on sustainability in procurement.[18] The German Bank for Reconstruction (KfW) also expects that contractors respect the ILO conventions ratified by the country in which a project is implemented. KFW officials do not, however, systematically monitor compliance.

Procurement policies in the North

Comparing procurement policies of donors at headquarters and in the field reveals that they use double standards. Most donors apply social and environmental considerations in their own procurement policies that they would not and do not accept in developing countries. For example, most donors have clear gender balance targets for their own staff – but gender considerations do not play a role when consultancies are procured in the field.

The WB prints its World Development Reports on environmentally-friendly, certified paper. This paper is not the cheapest nor of better quality than cheaper alternatives. Still, the WB has decided that this paper represents the best value for money by taking into account other factors such as the external environmental costs and maybe its own reputation. Thus the WB preaches a different value for money interpretation in the field than the one it practices at home in Washington.

The EU has acknowledged that its non-aid policies can have a significant impact on development and poverty eradication in regions outside Europe. Since 2005, it has had a political framework on Policy Coherence for Development that states: "ODA must be complemented by other financial sources. Harnessing the development potential of these additional financial flows depends on efforts by developing countries and by their external partners such as the EU to design development friendly policy frameworks." [19]

The EU's own public procurement is such a source. Public procurement accounts for 16% of GNI in the EU or almost 40 times the amount provided by EU member states as ODA. Reforms in the EU's procurement policies and practices could have a much larger impact on development effectiveness than the ODA it provides. However, the twelve areas the EU has identified for development policy coherence do not include public procurement. Initial attempts are being made to green public procurement in the EU and thereby reduce the EU's environmental impact, but revamping the EU's public procurement to maximize its developmental impact has yet to started. EU governments and institutions need to do their homework to find ways to increase the share of goods and services that it procures from providers based in developing countries.

Conclusions

Public procurement is a central element in governments' policy toolbox to promote development effectiveness – not just economic development but also social equity, environmental sustainability and human rights.

The aid effectiveness agenda has pushed for public procurement reform. However, the assessment tools for public procurement systems neglect the social and environmental components of procurement. The reform path promoted by donors and multilateral development banks emphasise further liberalisation and a value-for-money definition that ignores the developmental, social and environmental impact of public procurement.

Furthermore, through their advice and assistance to procurement reforms, foreign donors and development banks influence how public funds in developing countries are spent far beyond the small share they contribute through budget support and other ODA. This is a serious threat to recipient countries' sovereignty and is counterproductive to the aims of the PD and AAA.

To exploit the full potential of public procurement for development, the principles of development effectiveness need to be mainstreamed in all procurement-related dimensions of development cooperation. To make public procurement work for development, these principles need to be fully implemented in the public procurement policies of both developing and developed countries.

Endnotes

1 McCrudden, Christopher (2009): Buying social justice: using public procurement to advance social, ethical and human rights goals, in: 2008 Annual Statistical Report on United Nations Procurement. Sustainable procurement supplement, (New York): UNOPS; p.9-10.

2 Eurodad Namibia study (2010): "Targeting Development. Procurement, tied aid and the use of country systems in Namibia"; p. 21.

3 Chinnock, Jeffery / Sarah Collinson (1999): Purchasing Power. Aid untying, targeted procurement and poverty reduction; London: ActionAid UK.

4 Commission of the European Communities (2008): Public procurement for a better environment, COM (2008) 400 final, Brussels: European Commission

5 PD § 19-31.

6 OECD-DAC CRS database.

7 Eurodad Ghana study (2010): For whose gain? Procurement, tied aid and the use of country systems in Ghana; Eurodad Uganda study (due 2010): Procurement, tied aid and the use of country systems in Uganda Eurodad Namibia study (2010): "Targeting Development. Procurement, tied aid and the use of country systems in Namibia".

8 OECD (2010): Methodology for Assessing Procurement Systems (MAPS), Paris: OECD.

9 World Bank (2009): Use of Country Procurement Systems in Bank-supported Operations. Proposed piloting program, Board Document R2008-0036/1, Washington DC: World Bank (unpublished)

10 Eurodad Uganda study (2010).

11 Sadikin, Susy Rizki (2009): Sustainable Procurement in Indonesia, in: 2008 Annual Statistical Report on United Nations Procurement. Sustainable procurement supplement, (New York): UNOPS; p. 16-17

12 AAA § 15, 18.

13 Eurodad Namibia study (2010).

14 Clay, Edward J., Matthew Geddes and Luisa Natali (2009): Untying Aid: Is it working? An Evaluation of the Implementation of the Paris Declaration and of the 2001 DAC Recommendation of Untying ODA to the LDCs, Copenhagen: Danish Institute for International Studies.

15 Southern Aid effectiveness Commission (2010): Towards more effective aid. Report of the Southern Aid Effectiveness Commission; Brussels/Manila: Eurodad/ Reality of Aid.

16 ActionAid International (2006). Real Aid 2. Making Technical Assistance Work. Johannesburg: ActionAid International.

17 Clay/Geddes/Natali (2010).

18 United Nations (2009): 2008 Annual Statistics Report on United Nations Procurement; UNOPS

19 Commission of the European Communities (2009): Policy Coherence for Development - Establishing the policy framework for a whole–of–the-Union approach, COM (2009) 458 final, Brussels: European Commission.