“Making Aid Work Better for Africa”

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Houses of Parliament, United Kingdom

23 February 2005

Mr. Chairman,
Distinguished MPs,
Fellow Members of the Commission for Africa
Friends of Africa,

Thank you very much, Mr. Chidgey for your kind introduction. I am so very pleased to be here with you and your colleagues.

With the All Party Group on Africa, the Royal Africa Society, and others like the All Party HIPC Group, in this room and already so well briefed, it is hard to imagine what I can bring to the table that you do not already know. At least let me try to add an additional African perspective to the mix.

Three years on - a report back

Some of you were present in December 2001 when I visited No.10 Downing Street as part of the Prime Minister's Millennium lecture series, to make a presentation on the challenges facing Africa and ways that they might be approached.

I spoke then about the alarming socio economic trends on the continent: including greater poverty, a shortened lifespan, and the bitter fruits of HIV/AIDS. I stressed that, unlike other developing regions we were far from achieving the Millennium Development Goals by the target date of 2015.

However, I also highlighted how a new generation of pragmatic leaders was trying to address the challenges of improving governance, ending conflicts, boosting economic growth and restoring public services.

I said we needed to focus on more than monetary transfers, and encompass the promotion of sustainable human capacities and institutions... we wanted a partnership based upon understanding that Africa and its friends share an interest in getting rid of poverty.

At that time, I - with many others - was hopeful that we were at the start of something new.

Three years on, was my optimism justified?

First, the climate for security and cooperation has changed dramatically for the better.

Most people ascribe this to the founding of the Africa Union, NEPAD and the African Peer Review Mechanism, and the establishment of the African Parliament. Indeed, the leaders of all of these pan African initiatives have shown boldness and imagination.

But, nothing important happens at the multilateral level without strong national support. So the new accomplishments in regional cooperation, in peacekeeping, in economic integration, and in setting much higher standards within Africa for governance... ...all these are evidence of political consensus among the governments of Africa that the old way of doing business must go.

I would like to believe that this new approach is the result of a consolidation of democracy across Africa.

For example, it is good to be able to point this week to events in Togo and the way neighbouring West African states, under the auspices of the regional grouping ECOWAS and the African Union, are exerting effective pressure to reverse the Togolese military's recent attempt to make an unconstitutional transfer of power to the son of the late Gnassingbe Eyadema.

We at Economic Commission for Africa have tried to benchmark these trends in governance in a major report on governance in Africa to be published this year. Working with local partners, we studied governance in 28 countries through consultation with a total of 2000 experts and through interviewing 60,000 households.

In the process, by the way, we proved that there IS such a thing as African public opinion. The people we talked to assessed the performance of their own governments covering such areas as how well their government's provide services, and the effectiveness of their parliamentary and judicial functions. No one reading the results could possibly doubt that there is widespread knowledge about - and growing public pressure for - better governance. That genie is now out of the bottle.

What about Africa's economies? The good news is that we are no longer on a downhill slide. Overall, our economies are consistently growing and economic governance is improving. Average GDP growth rates in the region are now around 3 % per annum. Over the past decade ten countries have experienced rates above 5 per cent and rates above 7 per cent have been recorded in three countries.

The IMF is now projecting economic growth for Africa at over 5.3 per cent for 2005, and average inflation of 9.9 per cent compared to 41 per cent over 10 years ago.

But this turnaround is too recent and still too slow to assure the universal delivery of essential social services. At this average growth rate, it would still take sub-Saharan Africa over 100 years to achieve the Millennium Development Goals . We therefore really need to achieve consistent growth rates of at least **7 per cent in order to make any significant progress in this area.**

That deals with the situation inside Africa. What has changed internationally? A lot. Some of the best international cooperation of recent times has focused on Africa, often strongly encouraged by the Government and Parliament here in London.

Africa was the focus of the G-8 at Kananaskis two years ago, it received a great deal of solidarity at the Monterey Conference on Financing for Development, and at Doha it benefited from major international support to establish the framework for a development-oriented round of trade.

Now, thanks to the energy of Prime Minister Blair, Chancellor Brown and so many of you, we have the prospect of a particularly productive G-8, EU presidency, and Millennium Summit follow-up at the UN. All this has established a particularly favorable climate for positive engagement with Africa, so clearly signaled at the recent Davos meeting.

Africa also has a higher profile in the international arena because deeper thinking about 9/11 has made the link between insecurity and poverty more evident, and because the long-term oil crisis highlights Africa's potential as a lifeline for Western economies.

Much of this change has yet to be consolidated. There is no guarantee, for example, that the Doha WTO round will ultimately benefit poor countries unless all the actors, particularly rich countries, show the necessary political will.

Yet - both in Africa and internationally - the conditions seem right for a concerted "big push" for Africa.

Priorities for Action in 2005

That, of course, is the message of the Commission for Africa. During our consultations, we have found that the range of actions that need to be taken is very wide.

Indeed, one of the points we will make in our report is that there is no overriding cause of our problems and therefore no magic bullet - no single area where we could act and trigger positive developments on multiple fronts. We have no choice other than to apply the right policies in several areas at once if we are to rupture for good, the vicious circles that interact with each other.

So what should we try to achieve with this welcome opportunity for Africa? How should we act to boost our growth to levels that would give us a chance of meeting the MDGs? I would put stress on the following key areas -

- First we need much better infrastructure. This is a major constraint on intra-African trade and if Africa is to take full advantage of a more open global trade environment coming out of the Doha Round, developing effective national and regional infrastructure is critical.
- Then, we must do more to support small- and medium-scale enterprise in the private sector -; no matter how much aid or foreign investment comes into Africa, our only chance of providing enough jobs is to rely on our entrepreneurs, making sure they can access the services they need and enough finance to grow their businesses.
- Next - we need to unleash our enormous human capacity. Obviously that means strengthening our health and education sectors so that people are stronger and better equipped to seize opportunities. And we must revitalize our tertiary education in science and technology to maximize our capacity to innovate and support investment in agriculture and other areas.
- But most importantly, we need to upgrade the capacity we now have if we hope to sustain the gains in governance already made; strengthening the administrative, parliamentary and judicial sectors is critically important. We simply do not have either the quantity or quality of civil servants, legislators, judges and business people we need. There is massive and growing public support for better governance but without strong international support for a capacity building action plan, we could see reversals in the gains we found in our governance survey.

Finally, we will achieve nothing if we do not address the over-arching challenge of HIV/AIDS. It is no exaggeration to say that today, AIDS is the greatest threat to Africa's development. We need to start seeing HIV/AIDS not only as an emergency health issue, but as a long-term capacity crisis as well.

HIV/AIDS is systematically eroding vital human resources in all sectors and at all levels - most troublingly in health and education. Existing service delivery constraints can be expected to worsen, with productivity and efficiency impacts across all government agencies, private sector businesses, and civil society groups.

As employees become ill and leave government service, their skills, training and knowledge are being lost. In the absence of comprehensive treatment and care programmes, governments can expect to see declines in the tax base, in savings and productivity, while at the same time demands for services like welfare and health increase.

We must urgently find ways to deliver the treatment that will keep more people alive - and for as long as possible.

Mr. Chairman,

We could justifiably speak at length on any of those topics - they are all vital. But instead, I want to zero in on the issue of aid - a critical input if we are to achieve these goals.

The case for aid

It is no secret that the Commission will call for a significant increase in aid and our report will detail a range of actions we believe must be taken, with their various price tags. We are not alone in this. The team Jeffrey Sachs leads has said that the MDGs will not be achieved without a large increase in aid, particularly for Africa.

We are of course aware, that for the skeptics, mention of aid causes a big red flag to go up. They believe that aid does not work, or that it necessarily results in dependency. And it is argued with some justice that on the donor side, aid has rarely been an honest gift but more often has concealed within the package, claw-backs and catches that leave African governments scarcely benefiting, and perhaps worse off.

Let me tackle some of those points in the time I have left today, with the aim of giving confidence that we can learn the lessons of history and make good use of funds supplied by this means.

I can think of no other professional field, with the possible exception of law, which has been as much maligned as that of development. Yet development aid has helped transform the world and it has greatly brightened Africa's prospects.

It isn't often I'm willing to be bracketed with the lawyers but they are the only other group who suffer from the same hostile press as we development professionals. I am sure there are some Honourable Members of the House here this evening who may feel double solidarity with that sentiment!!

Our report will give detailed examples of a direct link between ODA and improved macro economic performance, including higher growth and social development. The evidence is unambiguous and compelling.

For example, through budget support from donors Tanzania, Ghana and Ethiopia have all seen significant rises in school enrolment. Much of this aid has enabled development of essential infrastructure, teachers' salaries and teacher training. A similar story is told in Zambia and in Mozambique.

In Uganda, the health authorities have used aid to bring down patient charges and therefore increase delivery of basic health care. In five years, outpatient attendance in hospitals has risen by nearly 90%. Immunisations are up 78%.

Mozambique has used aid to drive growth. In the 1990s, aid amounting to 50% of GDP drove a 12% increase in GDP. A relationship between aid and growth is also demonstrable in Ghana, Rwanda and Uganda.

Admittedly, aid has not always had such good results. This is partly due to inconsistent and incoherent policies on the part of donors and because of poor conditions of governance in the countries concerned.

There have been changes however. In recent years, as I noted earlier, governance has improved. Donors are more focused on reducing poverty than they were in the past, and the end of the cold war has greatly improved the relevance and value of aid.

Aid delivered now, while African economies have for the most part been experiencing a sustained period of growth and increasing stability, can have greater impact than before.

It is also true to say that aid advocates have learned from past mistakes. The empirical data and analytical abilities regarding aid and its impacts are sharper now than in the past, with a far better ability to relate aid to policy change, and to identify areas where aid can be effective.

Mutual Accountability - a new paradigm to make aid effective

All this is not to suggest, however, that in future, aid will be problem-free.

On the contrary, the volume of aid to Africa still fluctuates unpredictably, making it impossible for receiving countries to plan effectively; donors fail to harmonise their aid plans, adding to the uncertainty.

Although less aid is explicitly tied than used to be the case, donors are still trying to claw aid back by setting special purchase requirements on its use.

Perceptions of "giving with one hand and taking with the other" look justified when one compares the aid a country gives, with debt service payments, or with the tariffs protecting wealthy countries' agricultural and manufacturing sectors.

Too much aid is project-based, according to the donor's priorities rather than those of recipients - and so on. In other words, aid *quantity* insufficient *and* its "*quality*" is not good enough - that is, the transaction costs of aid are still too high.

However, as I predicted three years ago, there has been a paradigm shift in the partnership between Africa and rich countries. At the Economic Commission for Africa we have been working hard with our OECD-DAC partners to develop the concept of, and machinery to achieve, aid effectiveness.

Working under the direction of the NEPAD Heads of State and Government Implementation Committee and the OECD Council, the Secretary General of OECD and I have established an ambitious work plan for a "Mutual Review of Development Effectiveness".

The proposed Review, involving reciprocal obligations over the long-term, monitored relationships and commitments could be a significant new mechanism to improve the effectiveness of aid and give added confidence to the development relationship.

For each side of the partnership, we have identified "action frontiers" - areas where performance needs to be enhanced. A report on the *status quo* will appear every two years to update the record of progress towards agreed targets. And this year, a "scorecard" has been developed, looking ahead to 2007.

This framework will be assessed and - we hope - adopted by African and OECD governments, giving all sides confidence that scrutiny and performance assessment will accompany aid in future.

On Africa's side, there are key frontiers to be addressed, nationally and regionally.

Our national agendas must focus on progress towards peace and security. African governments are required to develop and put in place, comprehensive strategies towards the MDGs and improved political governance.

They will be held to tracking progress towards best practices in economic and corporate governance. They must invest in better infrastructure and act to support the private sector. And, the framework commits them to adopting policies supportive of education, capacity building and training.

Of particular importance is the strengthening of those institutions that increase accountability, including auditing, evaluation, and parliamentary and judicial functions.

For Africa's partners, particularly in the G-8, the issues are clear.

The "Mutual Review" framework calls for rich countries to honour their commitments to achieving the MDGs through greater and improved development assistance, as well as better access to markets for African goods.

This means that aid must be more predictable, long-term, and harmonized. And the focus should be more directly on capacity building for better governance, and key growth challenges such as agriculture, smaller enterprise, and infrastructure.

At the same time there is an urgent need for developed countries to move swiftly to break down their trade barriers and end their subsidies, particularly in agriculture. There is a requirement to make sure that the Doha Round is indeed a development round.

If Europe, for example, wants to be coherent in its partnership with Africa, then the Common Agricultural Policy needs to change. A recent ECA study showed that as a result of unrestricted market access, African exports would increase by 1.9 billion US dollars.

This growth would be mainly due to agricultural exports to Japan and the European Union. It's clear therefore that Europe now can to do something significant in this critical area.

Aid volumes are also important. OECD countries are asked to deliver on Monterrey and Kananaskis commitments in 2006, and augment them in line with decisions made at major meetings this year.

Concerted attempts should be made to track aggregated African needs and see how they may be met. Aid flows must be harmonized with national finance scenarios over ten years, with financial commitments made up to four years ahead so that governments have some predictability.

I believe that the Chancellor's proposal for an International Financing Facility provides a viable mechanism for making this a reality. I therefore hope other influential donors will soon come on board.

Mr. Chairman,

Debt also must not be a drag on African efforts to develop; initiatives such as the U.K.'s pledge to meet the multilateral debts of the severely impacted countries, is a particularly bold move.

The Review framework calls for coherent policies on debt to ensure assistance does not flow in through the aid door, and straight out again to service debt. I believe relief should be extended beyond Africa's HIPC countries, at least through the MDG target period.

As the African Peer Mechanism's findings come through, aid partners are asked to provide support to act on areas needing attention.

For example, there is need for work on the donor side to support transparency and anti-corruption initiatives including strong commitment of both public and private sector actors. Early ratification of the UN Convention on Corruption will be important in this context, as will the promotion of mechanisms to identify and recover stolen assets that have been stashed in Europe.

Additionally, useful G8 actions can be taken to restrict arms transfers, and address climate change.

It is important to note that the process I have outlined here is not confined to Africa. Efforts to enhance aid effectiveness are underway around the world, triggered by Monterrey, developed at the Rome High Level Forum on Harmonisation two years ago and about to be strengthened further in Paris next week.

Although our work is obviously specific to our needs, all international initiatives share a common thread - to reform the way aid is managed and hold all parties to agreed commitments and standards.

Some have queried whether Africa can absorb the volumes of aid being discussed and this concern is legitimate.

As I noted earlier, it is impossible to understate the importance of addressing Africa's capacity deficits. This needs to be a joint project between African governments and partners. We cannot deny that past efforts in this regard have only been partially successful; we must look closely at what does not work and find better approaches.

This is not just about training, although that is important. It is about ensuring that funds are available to pay skilled professionals, guaranteed over the long term, so that they do not move on prematurely, or worse, go abroad.

It is about evaluating capacity not only in government service but outside, in the sectors that help government to deliver its objectives. It is about looking at the diverse and systemic reasons for failure to recruit or hold talented, well- trained staff and addressing those challenges as part of a holistic strategy.

And it is about making sure that partners align their support to the goals of that strategy; it is, after all, in their interest to do so, since this is the best way to maximize the effectiveness of aid.

Another concern is that by increasing aid, we may be promoting dependency. Those worried about this should be more concerned with whether conditions exist for growth, since the evidence tells us that dependency on aid only results where economies fail to grow.

With growth, savings are generated and investment attracted, reducing dependence on external sources of support.

In conclusion...

Mr. Chairman,
Honourable Members of Parliament,
Fellow Commissioners,
Ladies and Gentlemen

My comments today have been at a fairly abstract level, but we must not lose sight of the human realities at stake.

The Commission's back-of-the-envelope calculations lead us to believe that if we in Africa and our international partners had acted two decades ago on the issues I have outlined, we would have had many fewer than eight million killed in conflict, far less than the 12 million orphaned by AIDS, and certainly far less than the 30 million who have fallen into poverty during this period.

Africa has improved and there is serious leadership at the national and regional levels. Yet our democracies in Africa are fragile and we cannot afford for them to fail.

The global community is now far better informed and more interested in seeing Africa achieve the MDGs; there is commitment around the world to making trade fairer, getting rid of crippling debt and providing effective aid.

But the jury is still out. If our ECA-OECD work, the Rome harmonization process, and other efforts get traction, if we find practical solutions to the problems on the ground, we have a reasonable chance of making progress.

We simply have to act now to push this forward concretely, as progress in this area could bring truly significant benefits.

According to a recent World Bank estimate, a 24 per cent improvement in the quality of aid in sub-Saharan Africa would add nearly two percentage points per year to GDP growth.

That, ladies and gentlemen, is certainly a prize worth fighting for.

This is our challenge - and Africa expects that we will rise to it.

Thank you.
