



# **A Participatory Approach to Partnerships for Africa's Development**

## **A CAFOD Background Paper<sup>1</sup>**

**May 2002**

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<sup>1</sup> The following points made in this paper include summaries of positions outlined in CAFOD papers (see [www.cafod.org.uk/policy](http://www.cafod.org.uk/policy)), the BOAG – BOND paper *Meeting Both Sides of the Deal April 2002* and from submissions from sister agencies in the catholic aid networks CIDSE and Caritas Internationalis.

## INTRODUCTION

Africa is at the forefront of the 2002 G8 Summit agenda. By launching a *New Partnerships for Africa's Development* (or "NEPAD"), African governments have collectively attempted to rebalance the development agenda for Africa around a new framework of more equal international partnerships for development. The G8 in their turn have responded by promising a *G8 Action Plan for Africa* when they meet in Kananaskis in June. But is this new found political will to help Africa based on a commitment to working in genuine partnership?

CAFOD believes that opening up an international dialogue over NEPAD marks an important opportunity for the international community. But if the process is to succeed for Africa then deeper sets of partnership must be built. These should go beyond a relationship between political elites in the North and South to include a broader set of African stakeholders. We believe that the donor community should commit themselves not only to additional resources and preferential treatment for Africa but also to a process where partnerships include an influential voice for impoverished people in decision-making processes in order to make these resources work effectively for poverty reduction.

## AFRICAN LEADERS SET OUT AN AGENDA IN NEPAD

CAFOD has welcomed the renewed interest in Africa at this year's G8 Summit. NEPAD marks a potential departure from the current flawed approach to donor-recipient country relations. NEPAD's ambitions are to draw Africa and Africans away from the status of international supplicants and to, instead, build a relationship around shared obligations between donor and recipient governments. *"Africans are appealing neither for the further entrenchment of dependency through aid, nor for marginal concessions... What is required to mobilise these resources and to use them properly, is bold and imaginative leadership... as well as a new global partnership based on shared responsibility and mutual interest."* [NEPAD paras 5 and 6.]

By strengthening the political dialogue between Africa and the North, NEPAD presents a real opportunity for change. With African governments committed to better economic and political governance, NEPAD could also act as a framework through which the international community meets its side of the bargain in helping Africa meet the Millennium Development Goals (to halve global poverty by the year 2015) or costed poverty reduction programmes. NEPAD is a challenge to governments in the North, calling for much more generous assistance through deeper debt relief, increasing and improving aid, and fairer terms of trade. All these aspects of additional resources are complementary and mutually reinforcing. But a significant test of donors' commitment to an African-owned agenda will be in reshaping their current understanding of partnership and donor-recipient country relations.

## THE APPROACH OF DONORS

In discussions with G8 officials, CAFOD has learnt that donors are placing a strong emphasis on two approaches to NEPAD – "selectivity" and "peer review".

### *Selectivity*

G8 donors are keen on limiting their aid allocations to selectively chosen recipients. In this context, "selectivity" is the process of re-allocating existing aid resources among recipients. Donors believe that aid dollars have a higher developmental impact where there are the "right" or "sound" conditions for economic growth. They maintain that without Africa's trade openness, macroeconomic stability and peace, aid cannot lift large numbers of people out of poverty.

CAFOD is concerned that “picking winners” amongst African countries is a negation of the principle of partnership. Moreover, we believe that the role of some G8 countries during the Cold War, in particular their practice of sponsoring proxy conflicts in Africa, leaves them with a special obligation to engage fully, albeit in different ways, with all of Africa’s regions and countries.

We believe that the principle of selectivity should be about donors designing their responses to meet the specific conditions of recipient countries. Selectivity should not be used as an excuse for disengaging with “poor performers”. There should be transparency and consistency on the part of donors in developing policy guidelines and partnerships for varying country conditions.

In addition, choosing to work only with countries that are judged to have the right conditions for economic growth is not a viable option in a continent where civil wars and political instability frequently result in large and destabilising refugee flows and increased small arms trade in neighbouring states. But even if countries not in conflict could be isolated into “islands of peace”, such an approach could lead to the creation of a “two-tier” continent where donors respond only to “the deserving” but not the “undeserving poor”.

**To respond effectively to the challenge of building meaningful partnerships, the G8 and African governments should develop predictable frameworks based on principles of consistency, predictability, accountability, transparency, reciprocity and mutual learning. Donors should not lionise or demonise “selected” African states according to constantly shifting aid preferences.**

### *Peer Review*

In the NEPAD process African leaders are proposing a system of “peer review”. That is, African governments will assess the performance of their peers against the principles of good political and economic governance outlined in the NEPAD paper.

While CAFOD welcomes the introduction of peer review, African governments have not established a good track record of passing critical judgements on poor economic or political performance by their peers. The 2002 elections in Zimbabwe and the findings of African Union and regional election monitors have undermined international confidence in the willingness of African governments to criticise peer performance.

We believe that the success of a new agenda for Africa must rest on the strength of accountability not only between donor and recipient governments. The lines of accountability need to go beyond those between governments. A wider group of in-country stakeholders should be involved in assessing performance. Donor and recipient governments’ accountability for the effectiveness of aid must, ultimately, be to those who are the intended recipients and beneficiaries of aid – impoverished people.

It is for this reason that our networks believe that at the foreground of the Agenda for Africa must be an explicit discussion of an agenda for good governance and accountability.

## **AN AGENDA FOR ACCOUNTABILITY**

Throughout Africa, there is a strong popular demand for effective government and an absence of corruption. CAFOD’s member organisations frequently raise, and take action, on the issue of poor governance and corruption as major challenges in their work. We believe that the fundamental principle of good governance must be that the government of a country is first and foremost responsible to its people. Building this accountability should be at the heart of the New Partnerships for African Development (NEPAD).<sup>2</sup> So far, the wider participation of civil society groups, impoverished people or their representatives has been excluded from the NEPAD process.

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<sup>2</sup> The following points on Governance are drawn from the CAFOD working paper *The Governance Agenda in Africa – What donors must do to make NEPAD viable* – Sue Hawley March 2002

CAFOD believes that the introduction of peer monitoring of African governments' compliance with established principles of good governance is crucial to building the success of NEPAD. If peer monitoring is to have credibility, a more formal and inclusive monitoring process should be established. Such a process must involve the co-ordinated participation of African parliaments, regional government representatives, faith groups, local media and civil society organisations if it is to work.

If the lines of accountability to impoverished people are to be built and sustained, then the donor community has to make commitments to systems that reinforce mutual accountability. CAFOD believes that the following steps need to be made:

- **Donors must complement African moves to establish peer review by setting up an independent assessment mechanism for monitoring donor performance. This independent body should judge donor performance against agreed principles of donor and recipient country accountability, principles that foster local control, priority and ownership of aid programmes and enhance donor responsiveness and accountability to local parliaments, civil societies and taxpayers.**
- **Donors and governments should conduct a review of the effectiveness of anti-corruption institutions and anti-corruption conditionalities and build a greater influence of local civil society organisations, parliament and press in shaping the anti-corruption agenda.**
- **International anti-corruption agreements (such as the OECD Bribery Convention) must be strengthened. Binding commitments must be made for the pro-active enforcement of regulations that close loopholes for bribes and open offshore bank accounts for the recovery of corruptly gained assets.**
- **In countries with a high incidence of corruption, development assistance still has a role to play. It should bypass corrupt institutions and support, countervailing, anti-corruption influences.**
- **There should be enhanced investments in civil service reforms that prioritise local ownership and finance adequate pay scales for civil servants<sup>3</sup>.**
- **Ensure that democratic and participatory principles are at the heart of standards of good governance.<sup>4</sup> Place emphasis on participatory forms of governance in budget and poverty monitoring processes.**
- **Reform international financial institutions such as the World Bank and IMF to ensure developing countries have a greater voice and influence in the shaping of policies.**

While CAFOD believes that the donor community has been less than transparent or consistent in opening up the debate over what constitutes good governance, there is a serious crisis of the legitimacy of the state in many African countries.

Declining resources, falling commodity prices and shrinking revenues available to the continent have also accelerated this crisis. Most sub-Saharan African governments no longer have the revenue levels to return to some of the impressive gains they made in health and education provision during the post-colonial period. If the capacity of governments to act as a benign agent pursuing the common good is to be restored, Africa will have to receive substantially additional external resources. So far, the question of additional resources appears to have been avoided or addressed in an uneven manner by the G8 donors in their discussions over NEPAD.

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<sup>3</sup> JCTR, CAFOD partners in Zambia, produce regular cost of living surveys. Their results show that monthly salaries of junior ranking civil servants are not sufficient to cover half the cost of families' food requirements.

<sup>4</sup> The recent Environmental Sustainability Index from Yale Centre for Environmental Law's country indicators for 'capacity for debate', measuring civil and political liberties and the strength of democratic institutions, place Botswana, Guinea-Bissau and Namibia in the top 10. Malawi, South Africa and Benin all score higher than the UK at number 47. CAFOD believes that principles of good governance go beyond governments' accountability to parliaments. The experience of CIDSE – CI partners show that the involvement of non-state actors in decision-making is never easy. Nevertheless, we believe that states will be strengthened, rather than weakened, by openness and a more inclusive dialogue and enhanced participation.

## RESOURCES

In setting the volumes of aid and debt relief, an important principle guiding should be that of mobilising additional resources for agreed poverty eradication goals. Official development assistance to Africa declined from nearly 11% of Africa's GNP in 1994 to only 5% in 1997<sup>5</sup>, or US\$14.2 billion. But conservative estimates, based on UN figures, suggest that a sum in the region of US\$25-35 billion per year is needed if Africa is to achieve the MDGs' commitments to provide universal access to primary health care and education. Without additional resources Africa will not be able to develop at a pace that can take significant numbers of its people out of poverty – especially in the context of the HIV/AIDS pandemic.

CAFOD believes that given the relative exclusion of Africa from trade and investment flows, the donor community must think anew on official development assistance if its rhetoric on achieving the Millennium Development Goals is to be taken seriously. For instance, donor countries should be shaping their aid relationships according to the articulated needs of recipient countries rather than priorities or strategic interests of donors. But as well as coordination issues and the volume of official development assistance to Africa, donors have to consider enhancing all forms official development assistance and in particular debt cancellation.

Debt relief is an efficient and effective form of resource flow. It acts as a financial inflow supporting and enhancing African governments' budgets. It cuts down on the time and effort African officials have to commit when negotiating aid projects with a variety of donors. Also, aid flows are frequently interrupted<sup>6</sup>. Debt relief, on the other hand, is currently the most predictable source of finance having a span of over 20 years in some cases. Deepening the amount of debt relief on offer and widening the group of countries eligible for debt cancellation would be consistent with donors mobilising resources in support of budgets.

Our networks believe that the current official debt relief mechanism – the enhanced *Heavily Indebted Poor Country* (so-called HIPC) *Initiative* – is fundamentally flawed in its approach to calculating how much debt relief to write off. At present it does not take into account the depth of poverty in debtor countries. According to CAFOD's calculations, if the Millennium Development Goals are to be met, and if governments were to retain their own income to finance the targets, there will have to be a 100% debt cancellation for most African countries and some write offs for middle-income states alongside additional aid flows.

- **CAFOD regards the NEPAD proposal to reduce debt-servicing levels to below 10% of government revenues as an advance on current debt sustainability criteria. However, this proposal is in danger of being interpreted as being consistent with current Bank and Fund projections. Those projections are based on hopelessly optimistic assumptions on economic, aid and investment growth rates.<sup>7</sup> Above all, we believe that the notion of debt sustainability must be considered within a development context, and not treated as a narrow financing issue.**
- **We believe (echoed in NEPAD) that debt sustainability analyses should focus on the feasible revenue available to governments and balance these against the costs of financing poverty reduction programmes. Only then would the part of any remaining government revenue be considered for debt servicing.<sup>8</sup>**

But there are a number of other concerns that the donor community needs to address with serious commitment if aid flows are to maximise their poverty reduction impact. These include:

<sup>5</sup> ECA, 2000

<sup>6</sup> *Global Development Finance 2001 – Building Coalitions for Effective Development Finance* – The World Bank p91

<sup>7</sup> Bank and Fund April 2001 Board papers suggest a doubling of economic, aid and investment growth rates over the medium term. An unprecedented optimism contradicted in 2002 official papers.

<sup>8</sup> *A Human Development Approach to Debt Sustainability Analyses* – Henry Northover, CAFOD 2001 (from the original CIDSE – CI paper by Northover, Joyner and Woodward 1998)

- **Northern governments must honour their commitment to increase real ODA flows to 0.7% of GNP as soon as possible, within a defined timeframe, and focus this on the achievement of the Millennium Development Goals and costed poverty reduction programmes.**
- **Northern governments must increase the proportion of aid spent on the Least Developed Countries (LDCs), especially those in Africa.**
- **All bilateral aid must be untied, as recommended by richer countries' Development Assistance Committee (DAC). Fifty per cent of all OECD DAC bilateral aid to LDCs is still tied, including that of many G8 countries.**
- **Donors must also stabilise aid flows and reduce excessive conditionality that undermines nationally owned development strategies. Procedures must be harmonised in order to reduce burdensome transaction costs resulting from donor management systems and parallel accounting.**

While budget support is undoubtedly the form of resource transfer that is consistent with building national ownership of a reform agenda, CAFOD believes that it should happen in the context of government commitments to poverty reduction. An element to this must be the inclusion of wider groups of stakeholders in the policy design, implementation and monitoring process.

Governments in Africa, and Northern donors, should build and strengthen the role and influence of civil society participation in policy and priority setting, and in monitoring outcomes, through the Poverty Reduction Strategies (PRSP) or domestically developed equivalents.<sup>9</sup>

## **CONFLICT PREVENTION**

The most basic precondition for Africa's survival and development in the 21<sup>st</sup> century must be an urgent and robust determination shown by the international community to tackle the scourge of conflict on the continent. The Northern donor community's role in sponsoring, and even in some cases, starting the Cold War's proxy conflicts in Africa places a special obligation on them to bring the full weight of their political will to this issue. It is estimated that today, twenty percent of Africa's population is directly affected by conflict – exacerbating both poverty and HIV/AIDS. In Angola alone, the UN estimates that the conflict has forced 3.8 million people – nearly one-third of the population – to flee their homes.

CAFOD believes that tackling conflict requires the G8 and African leaders to take action to address the root causes of conflict such as the extraction of mineral resources in areas of conflict and the trafficking of arms to those areas. Measures to reduce conflict must include:

- **The reduction, and in some cases the elimination, of export credits that support the sale of military equipment, resourcing the implementation of a Small Arms Convention and the effective implementation of the ECOWAS moratorium and the AU's Bamako Declaration on Arms.**
- **To improve budgetary scrutiny to ensure full transparency of military expenditures.**
- **Binding regulation of Multinational companies to set minimum human rights and environmental standards.**
- **The G8 and African leaders must seek to ensure that the recommendations arising from the Kimberly process and others are implemented and extend to ensure the full disclosure of revenues to all national governments by transnational natural resource companies and related national subsidiaries and business partners.**
- **Ensure that non-combatant civil society groups are included in broader conflict prevention and resolution processes.**

<sup>9</sup> BOND-BOAG – Ibid.

## HIV/AIDS

The HIV pandemic in Africa has accelerated in growing pools of poverty, ignorance and despair. The UN estimates that over 16 million people in Africa have died from the disease and another 28 million are living infected. There are enormous social, economic and, above all, human repercussions for individuals, families, households, communities and countries. We are deeply dismayed that the original NEPAD paper's analysis of Africa's challenges came up with no policy options or responses to this catastrophe. Our networks believe that strides in poverty reduction will not be sustained without greater political will shown in tackling the HIV/AIDS pandemic. Therefore we propose that:

- **Donors must ensure that there is increased funding, including through the Global Health Fund<sup>10</sup>, with the aim of strengthening health infrastructure and systems in Africa.**
- **The G8 must support the building of local and national strategies to combat the HIV/AIDS pandemic and its effects, including through effective community based prevention and care programmes, paying special attention to vulnerable and orphaned children.**
- **At the same time, the G8 must ensure that the Global Health Fund establishes feasible and effective access requirements for governments, NGOs, and people living with HIV/AIDS, and takes into consideration national governments' capacity to use the Fund effectively to meet the needs of all those affected.**
- **World leaders should meet their commitment in the June 2001 UN Declaration to address the issue of HIV/AIDS and conflict – especially, but not only, in humanitarian assistance to affected and displaced populations.<sup>11</sup>**

## TRADE AND INVESTMENT

Trade and investment have the potential to increase growth, and contribute to reaching the MDGs, if rules and structures exist that ensure that the benefits from those activities are shared more equally between and within countries.

While they face an increasingly hostile international trading environment, developing countries also face intense pressure in the WTO and through donor conditionality to liberalise markets in goods and services. Trade liberalisation is imposing severe adjustment costs on poor countries, and poor communities within them. Without adequate infrastructure linking them to markets in a meaningful way – whether it be through transport, micro-credit systems, education, health or information – the poor cannot take advantage of the new opportunities increased trade could potentially offer.

Developing countries also continue to be excluded from developed country markets by a range of tariff and non-tariff barriers, while being forced to compete against heavily subsidised goods from industrialised countries. In these circumstances, it is often the poorest communities in the world that bear the full costs of adjustment during trade liberalisation. In countries where social welfare systems are also largely absent, governments are being pressured to forego trade policy options that may assist poor people to participate in and gain from trading opportunities. The trade rules negotiated through the WTO are not flexible enough in many areas to allow countries to develop and implement trade policy consistent with both short and long term poverty objectives. Until recently, any concessions to poor countries in the form of special and differential treatment in the WTO usually relate merely to extended timeframes to liberalise markets, which are insufficient to address the extent of risk faced.

The African experience of import liberalisation shows that rapid opening has in many cases led to surges of food imports, swamping local markets and driving down prices for small farmers, who are often among the poorest members of society. There is clearly a need for trade rules to provide governments with more flexibility to protect their small farmers in such circumstances.

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<sup>10</sup> Estimated at US\$ 10 billion by J Sachs and NEPAD Secretariat officials.

<sup>11</sup> BOND-BOAG – Ibid.

Our recommendations include:

- **Northern governments should provide quota and tariff-free access to their markets for all imports from low-income countries in Africa, including agricultural products, textiles and garments, and tackle the problem of tariff escalation on processed goods. EU leaders should also adopt measures that fundamentally reform the Common Agricultural Policy, including an urgent end to agricultural export subsidies and dumping.**
- **At the same time, Special and Differential Treatment measures must be made mandatory, legally binding and enforceable through the WTO's dispute settlement mechanism. They should extend beyond longer transitional periods to include positive discrimination<sup>12</sup>.**
- **As part of this, a 'Development Box' in the Agreement on Agriculture, should be introduced as early as possible. This must enable developing countries to address their development needs, including both food security and rural development for small farm and staple food production.<sup>13</sup>**

Trade and food security are fundamentally matters of social justice and economic imperative. Although the current system of multilateral rules has been agreed by consensus, it was designed by economically powerful states to promote their own economic interests. The WTO, and its rules, must change from an organisation that puts trade and trade liberalisation first, to one that places trade at the service of human development.<sup>14</sup>

Henry Northover  
May 2002

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<sup>12</sup> Article XXVIII of GATT 1994 affirms 'the needs of less-developed countries for a more flexible use of tariff protection to assist their economic development and the special needs of these countries to maintain tariffs for revenue purposes'.

<sup>13</sup> BOND – BOAG – Ibid.

<sup>14</sup> CAFOD – *Food Security and the WTO* – September 2001