

# Debt & Development in Africa

AFRODAD Quartely Newsletter

June 2008

Volume 2 Issue 2

## FTA Campaign Launched in Nigeria

AFRODAD jointly with ANEEJ launched the campaign for The Establishment of a Fair and transparent Debt Arbitration Mechanism (FTA) on April 29, 2008 at Grace Point Hotel, Abuja (Nigeria). The one day launch drew participants from the six geo-political zones of Nigeria.

The objectives of the launch of the FTA Campaign were to mobilize and sensitize CSO support for the campaign; to present and validate research findings of the Nigerian FTA case study "Nigeria: Foreign Debts, Stolen Wealth, IFIs and the West" commissioned by AFRODAD.

In his welcome remarks Leo Atakpu, Deputy Executive Director of ANEEJ, revealed that NGOs led by ANEEJ working on sovereign debts and development discovered in the late 1990s that a lot of Nigerian national wealth had been stolen and cashed abroad. There was now a need to repatriate this wealth. Based on this thinking the Nigeria Network on Stolen Assets (NNSA) was set up under the ANEEJ initiative. The FTA campaign provides a platform for NNSA to be taken to greater heights. Mr Atakpu expected the debt arbitration mechanism to make available badly-needed funds for financing development in developing countries, like Nigeria.

AFRODAD Programme Officer - FTA & IFIs - Irivangani Mutazu, gave the background and context of the FTA campaign, starting from the failure of the Jubilee 2000 Campaign to secure total and unconditional 100% debt cancellation for indebted countries throughout the world. Because of the refusal by creditors to heed the Jubilee 2000 demands AFRODAD, in 2001/02 together with like-minded organizations, began to propose FTA as a sustainable and lasting solution to resolve the debt crisis in developing countries. Since 2000 AFRODAD has commissioned researches around the concept of Arbitration and compiled case studies

on sovereign debts in 10 developing countries, five of which are in Africa.

Dr. Akongbowa Bramwell Amadasun presented the summary of the Nigerian case study: "Nigeria: Foreign Debts, Stolen Wealth, IFIs and the West". He highlighted that the FTA will enable Nigeria not just to recover sovereign debts but also to recover national wealth stolen by the Nigerian elites during the military rules.

Plenary discussion highlights

- Concern was raised over the impartiality of

- The use of pro-active mass civil surveillance and protest to stop our leaders from obtaining bad loans or looting our national wealth must be encouraged.
- Legislative advocacy is a key strategy for a successful FTA campaign on sovereign debts and national stolen wealth.
- ANEEJ will prepare the action plan for the campaign which will be circulated for inputs to participants on this meeting's listserve; as well as other CSOs that are traditionally



*Launch of the FTA campaign in Abuja, Nigeria*

the UN system in setting up an FTA mechanism because of its double-standard.

- It was observed that the UN is the most appropriate body to set up, operate and supervise FTA. CSOs need to work for reform of the UN system to get rid of any perceived weaknesses and inadequacies.
- It was also noted that there is need for CSOs to understand the grand conspiracy of the creditor institutions and the donor nations to keep Nigeria burdened with sovereign debts.

Campaign and lobby strategies identified

- Parliamentary and civil society's oversight functions on loan contraction are feasible in Nigeria.

strong in the sovereign debts and national stolen wealth campaign. Based on inputs received and a final copy of an action plan incorporating the relevant ones, ANEEJ will then engage AFRODAD for follow-up activities/support.

### Inside this Issue.....

- 1 **G8 Falling Behind on Commitments**
- 2 **Food Crisis Requires Sustained Commitment from the G8**
- 3 **FTA Launch In Kenya Comes Up With Timelines**
- 4 **Resetting Priorities: What Kind of IMF Does Africa Need?**
- 5 **Summary of CSO Segment DCF Multi-Stakeholder- Forum**
- 6 **Increasing International Financial and Technical Cooperation for Development**
- 7 **Debt Sustainability Analysis National Consultatio**





Greetings From Harare!

Welcome to our second edition of the quarterly Debt and Development publication, in which we bring you an update of the Debt Campaign with a Southern perspective.

This edition reaches you just before the Group of Eight (G8) wealthy countries are to meet in Japan, to yet again make promises to the poor countries of the world that they have no intention of keeping.

This time around their focus should be the drastic rise in food prices globally that has severely eroded chances of survival for most of the world that relies on handouts from governments whose purse strings are controlled by the whims of the West.

The crisis caused by the rise in food prices has effectively pushed more than 100 million people into poverty, malnutrition and increased infant mortality by unprecedented modern times levels.

AFRODAD is at the forefront of the FTA campaign and will be holding regional launches throughout the continent to push for the setting up and acceptance of an arbitration mechanism on illegitimate and odious debts. We track the launches held so far and the messages of solidarity coming out of there from campaigners continent wide.

We also bring you news of preparatory meetings as civil society and world leaders gear for a High Level Forum on Aid Effectiveness that will hopefully take forward the tenets of the Paris Declaration and set the tone for the harmonisation of aid to the South.

We hope you have a pleasant read and look forward to your feedback and comments.

The Editor of Debt and Development in Africa welcomes your contributions and comments. For further information please contact:

The Information Officer

AFRODAD

P O Box MR38

Marlborough

Harare

Zimbabwe

Tel : 263 4 778531/6

Fax : 263 4 747878

E-mail: afrodad@afrodad.co.zw

Web: www.afrodad.co.zw

## G8 Falling Further Behind on Meeting Their Commitments

**AFRICA: DESPITE INCREASING EVIDENCE THAT TARGETED AID IS GETTING GOOD RESULTS IN AFRICA, THE G8 ARE FALLING FURTHER BEHIND ON MEETING THEIR COMMITMENTS, SAYS THE 2008 DATA REPORT**

**ONE (Paris)**

PRESS RELEASE

The DATA Report 2008, released recently by ONE, the global anti-poverty organization, shows the G8 are falling further behind on the commitment they made in 2005 to contribute an additional \$22 billion in assistance to Africa by 2010.

According to The DATA Report 2008, the G8 are halfway to the 2010 deadline, but so far have only delivered \$3 billion, or 14 percent, of the \$22 billion commitment. If the G8 continue at their current pace, they will collectively fall far short of where they pledged to be by 2010.

While the pace of delivery is deeply concerning, the good news is that the assistance that has been delivered is making a real, measurable difference on the ground in lives saved and futures brightened.

Because of recent increases in development assistance:

- 2.1 million Africans are on life-saving AIDS medication, up from only 50,000 in 2002, 26 million children were immunized and against a group of life-threatening diseases between 2001 and 2006,
- 29 million African children were able to enter school for the first time as a direct result of debt relief and increased assistance between 1999 and 2005,
- By 2007, 59 million bed nets had been distributed by the Global Fund alone, helping to dramatically reduce malaria rates in countries such as Tanzania, Rwanda and Ethiopia.

These statistics make clear that targeted development assistance, implemented in partnership with effective African leadership, works. There are no more excuses for not delivering quickly on what the G8 promised. The DATA Report lays out a clear roadmap for how

the G8 can get on track to meet their 2010 goals by scaling up measures that have been proven to work.

In the foreword to the 2008 DATA Report, Archbishop Emeritus Desmond M Tutu, now also serving as International Patron to DATA and ONE, writes:

"We want to achieve success not through a hand out, but through hard work, persistence, creativity and a true partnership with the developed world. We're not there yet, but we have the roadmap to get there if the West keeps the commitments it made, with such fanfare, at Gleneagles and if African leaders keep their promises to their citizens too.

According to the 2008 DATA Report, while the G8 as a whole are off track, some countries are doing better than others and, equally important, some made more substantial promises than others.

The European members of the G8 - France, Germany, Italy and the UK - made the biggest promises to Africa as a percentage of their national wealth and together are responsible for

75 percent of the \$22 billion committed.

While the scope of their commitments should be applauded, they are off track to meet them.

**"Intentions are one thing, follow through is another and I am deeply worried that they are not going to keep the promises they made to Africa in 2005"**

Writing in his foreword, Archbishop Tutu speaks directly to the importance of Europe keeping the commitments it has made:

"Intentions are one thing, follow through is another and I am deeply worried that France, Germany and Italy are not going to keep the promises they made to Africa in 2005, because then all of Europe will be behind. President Sarkozy, Chancellor Merkel and Prime Minister Berlusconi need to hear more from their citizens on this subject if they are to make the right decisions, both for Europe and Africa," writes Archbishop Tutu.

It was citizen activism that led the G8 to make the 2005 commitments to Africa in the wake of Live 8 and a global campaign aimed at making poverty history. Given the G8's slow pace in delivering on that promise, it's clear that citizen pressure will once again have to be applied to ensure that promise is kept. To help mobilize citizens to encourage their governments to keep their promises to Africa, DATA and ONE are launching an email petition to G8 leaders.

# Food Crisis Requires Sustained Commitment from the G8

On the eve of the G8 foreign ministers meeting, the Africa Progress Panel issued a report urging international action to deal with the urgent threat of world food prices, while also calling for G8 leaders to take immediate steps to fulfill their previous commitments to Africa.

The Africa Progress Panel states in its report that the world food crisis "threatens to destroy years, if not decades, of economic progress" as "100 million people are being pushed back into absolute poverty."

"Unless some way can be found to halt and reverse the current trend in food prices there will be a significant increase in hunger, malnutrition, and in infant and child mortality," the report warns.

CGD senior fellow Vijaya Ramachandran served as rapporteur to the panel, and drew on her own work as well as the work of several colleagues at CGD to help inform the panel.

"The G8 member countries must continue to focus on economic development and good governance to promote growth in Africa," said Ramachandran. "I hope the stocktaking of progress made by African governments and civil society will serve as a reminder that Africa is a continent on the move and that the international community must engage constructively on the key issues of food production, climate change, openness to trade, and good governance."

The eleven-member Africa Progress Panel, which is chaired by Kofi Annan, and includes Tony Blair, Michel Camdessus, Peter Eigen, Bob Geldof, Graca Machel, Linah Mohohlo, Olusegun Obasanjo, Robert Rubin, Tidjane Thiam and Muhammad Yunus, was launched in 2007 as a

unique and independent authority on Africa to focus world leaders' attention on delivering their commitments to the continent. In the report, which assesses the state of the continent in 2008, the panel members highlight six policy areas requiring immediate attention at the forthcoming G8 Summit in Hokkaido, Japan:

**The Food Crisis:** Measures must be undertaken to increase the quantity of food on international markets and to provide greater financial assistance to international agencies such as the World Food Program and to the governments of affected countries.

**Aid Levels and Quality:** G8 countries must urgently fund shortfalls against their targets to double assistance to Africa by 2010. These increases must be accompanied by clear timetables and increased transparency in order to improve the quality of aid. The G8 must also focus on innovative efforts to improve the delivery of aid.

**Trade:** Countries must immediately review arrangements for stockpiling food, while a comprehensive rethinking of trade policy is needed to boost agricultural production around the world.

**Climate Change:** The G8 must increase funding for renewable energy and invest in adaptation and the prevention of deforestation.

**Infrastructure:** In surveys, private firms cite inadequate infrastructure as the most serious constraint they face, strategies to connect farmers to markets must be developed in conjunction with efforts to increase access to water and improve sanitation.

**Good Governance:** While there has been significant success in improving governance, the resolution

of current crises requires greater and more consistent efforts by the African Union, individual African governments and the international community as a whole.

On the emergence of new trading partners with Africa such as China, India and the United Arab Emirates, the report states that China and other new entrants have brought the continent "new dynamism and significant new resources", creating "greater opportunities for Africa's development." However, it counsels that "if Africa's development is to stay on track, it is crucial for both old and new actors to comply with agreed-upon principles of co-operation in the areas of aid, trade, development finance, and debt sustainability." Kofi Annan, the chair of the Africa Progress Panel, says: "Africa has made substantial progress in recent years. However, the current food crisis threatens to reverse many of the hard-fought gains that have been made. With 100 million people on the brink of abject poverty, the cost of food will not be measured in the price of wheat and rice, but in the rising number of infant and child deaths across Africa."

"The G8 is also off-track. European leaders at the forthcoming European Council Summit must move decisively to fund shortfalls in aid, while Japan must demonstrate clear leadership during its Presidency of the G8, not least by addressing the stockpiling of food. Every G8 country has a critical role to play, by working together to deal with immediate threats and by honoring the longer-term commitments they have already made. The whole international community has a stake in seeing Africa become a secure, stable and prosperous continent. I firmly believe that what is achieved in the months ahead will be more than a test of leadership; it will also determine the very future of the continent."

---

## FTA Launch In Kenya Comes Up With Timelines

AFRODAD and KENDREN jointly hosted the regional campaign launch on the Fair And Transparent Arbitration at the Heron Hotel, Nairobi, Kenya on 22 - 24 May 2008.

The Session and Conference ended with a signing of Petition by the Participants in support of the FTA Campaign Process. It was found necessary to continue collecting signatures from citizens in support of this process across the various countries. It was hoped that by June 2009, a petition would be presented to the UN.

There would be activities before that both at the national and regional level that need the coordination and participation of national affiliates/partners so as to enhance consistency and the building of a larger and stronger movement.

In the next three months, partners would be identified at national, regional and international levels and AFRODAD should put up a website where papers/articles on FTA can be shared.

An international list serve of all partners (in the two months) should be set up where information can be sent regularly. It is also necessary for the national focal person to contribute to this list serve by forwarding names of debt activists and national activities.

The FTA campaign should be launched in participating countries in the next four months as part of mobilization activities. Where possible, it would be important to combine several countries together like the East African region with five countries.

There should be good media coverage on the launch of these campaigns.

The FTA fact sheet should be ready by end of mid-July 2008 and should be able to reach out to as many groups as possible; and must reach the African Union and other regional bodies by November.

There is need to bring together key people to an international conference on FTA.

There should be a performance assessment of our progress from time to time; this can be done as a quarterly review.

In the next three months the research for Kenya and Malawi will be complete.



# Resetting Priorities: What Kind of IMF Does Africa Need?

By Charles Mutasa  
Executive Director, AFRODAD

## 1. Introduction

The landscape in which the international financial system is situated has entered into a remarkable period of transition, relative to two years ago. Numerous countries have repaid their debts to the International Monetary Fund (IMF) ahead of schedule, leaving the Fund with a US\$400 million annual deficit expected for 2010. Many of these same countries have indicated that they will not return to the IMF because of the burdensome conditions that it imposes on debtors.

The roles of the IMF in a fast globalizing world have become the subject of controversy. Its sympathizers believe that it is a question of getting it back to its mandate; keeping it in line with the division of labour - the IMF should remain as a monetary institution concentrating on macroeconomic surveillance and consultation, providing temporary balance of payment support. The moderates suggest modifying or reforming the IMF or merging it with the World Bank while the extremists urge that it be shut down.

A new financial architecture, with new institutions and sources of finance is emerging, calling for deeper change.

IMF has been under scrutiny following the occurrence of a number of global events, listed below, that seem to question its relevance and legitimacy.

- (i) East Asian Crisis of 1997-1998
- (ii) Argentina's crisis of 2001-2002
- (iii) MDRI imposed on IMF by G8. 24 (initially 20) countries of the IMF benefitted from the MDRI against the big request while the Policy Support Instrument (PSI) trying to keep countries from IMF independence.
- (iv) Tim Adams, US undersecretary of the Treasury for International Affairs' 2005 critique that the IMF was asleep with regard to exchange rate surveillances.
- (v) Pay off claims and elimination of IMF leverage by Brazil & Argentina (2005), and Bolivia, Serbia and Indonesia in 2006.
- (vi) IMF Quota reform protest by 20 countries including India, Brazil and Argentina at the 2007 annual meetings

For Africa:

- Import Liberalization led to deindustrialization, unemployment and environmental damage.

- Trade, Debt and Aid stand out as important
- Africa's shocks and real problems

Alternatives to the IMF are still being considered but they lack the global scale of representation. An example of such is the Chiang Mai Initiative which is a first step towards a regional Asian Monetary Fund, an effort to move away from the International Monetary Fund, which is believed to have further aggravated the 1997 Asian economic crisis with a series of harsh policies.

To address the key question of power balances between rich countries wanting to maintain status quo and low-income countries wanting more power, it is essential to consider the influence of developing countries in the IMF's decision-making process. Currently a member's voting power is derived from an arbitrary quota allocation formula that perpetuates the dominance of the industrial countries. The debate on IMF reform is about how the members' representation in the Fund and their influence on Fund policy can be adjusted to the changes in global economic and geopolitical conditions.

The question is: are IMF reformers prepared to see weighted voting replaced by the so-called Westphalian one-country, one vote system? Under the current system non-OECD countries cannot block any proposal as the OECD countries control nearly 70% of the votes at the Board. The eight Executive Directors (from G7 countries plus Belgium) representing 35 countries can unilaterally make decisions.



*Charles Mutasa, Executive Director of AFRODAD at a preparatory meeting for the forthcoming High Level Forum on Aid Effectiveness to be held in Accra, Ghana in September*

The current debates around reforming the IMF quota system - to better reflect the economic weight of various emerging economies, but to also increase the decision-making power of developing countries - are moving at a glacial rate. When approved, the changes will be superficial, the Board elected to

maintain the status quo with an American as head of the Bank and a European at the IMF. In December 2006, the World Bank's internal auditor determined that despite Bank efforts to fight poverty, it has failed to increase incomes in many poor countries over the past decade, leaving tens of millions of people living in the same or worsening conditions.

## Emerging Issues/Areas of Concern

Africa needs anti-shock measures, contingency funds, realistic projections, poverty eradication, environmental sustainability and the realization of human rights. Reforms must empower those sidelined by the existing system and build in important checks to abuse of power. *[Go to Page 5]*

*[From Page 4]*

Any reforms must consider the political realities. The best contribution IMF can make to fighting poverty is to ensure monetary stability in the poorest countries.

## Recommendations

a) There is need to reaffirm the role of the IMF as important with regard to financial flows which remain important for breaking through the development problems faced by many low income African countries.

- (i) Global capital flows regulation & more stable exchange rates
- (ii) Provide guidelines on use of funds & curb

manipulative financial activity

- (ii) Provide sufficient liquidity and credit to developing countries to finance development

*Continued on Page 5*

# Regional Strategy Seminar on Trade-Finance Linkages (Africa)

The UN Department on Economic and Social Affairs (DESA) organized a Stakeholder Forum on 19 - 20 June, 2008, in Rome, Italy, in the lead-up to this year's Development Cooperation Forum (DCF) at the ECOSOC High Level Meeting (30/06-01/07 in New York). The purpose of the Stakeholder Forum was to gain input from sectors that will not be explicitly represented in the DCF. The Forum included three sectors: parliamentarians, local government and civil society. In addition to informing the DCF, the outcomes of the CSO segment will inform the Accra meeting as well as Doha and specify CSO priorities on aid effectiveness.

ActionAid International and CIVICUS as the CSO representatives in the DCF Advisory Group were approached by DESA to organize the participation and input of the civil society segment, as both organizations share a demonstrated commitment increasing civil society engagement in the aid quality and effectiveness dialogue within the broader financing for development discourse.

The CSO segment reflected civil society's thinking on current development trends and promote greater coherence on the issue of Aid Quality and

Effectiveness in preparation for the upcoming Development Cooperation Forum in July this year. The segment will facilitate civil society participation by providing a space that amplifies the voices of civil society actors in both the global North and global South discussing the relevant issues in the context of aid effectiveness and developing recommendations for the DCF.

Under the core theme of Aid Quality and Aid Effectiveness, CIVICUS and Action Aid align with key civil society actors actively involved on aid and development financing issues to further develop participation of the segment as well as elaborating the agenda. The segment will draw from discussions among the CSO International Steering Group (ISG) for the Accra High Level Forum and other relevant networks working on aid issues such as the Reality of Aid network and the networks working on the broader issues around financing for development.

The segment will be held as a workshop including short presentations on the key themes. However, the main purpose is to have broad interactive discussions on aid quality and effectiveness and civil society's contribution into these discussions,

as well as the development of our input into the DCF and other processes this year such as the Accra High Level Forum and the FfD conference in Doha. The outcome of the workshop will be a short precise message paper which will input into the discussions at this year's DCF.

Under the broad theme of "The role of national and local stakeholders in contributing to aid quality and effectiveness" the following themes will be covered reflecting civil society discussions in the last months and priorities for the Accra and FFD Doha process.

1. Ensuring that the DCF aims uphold human rights, promote gender equality, and work towards poverty eradication
2. Aligning Aid to National Development Strategies: The role of civil society in ensuring country ownership and participation
3. Reform of conditionality and tied aid: essential steps towards improving aid quality
4. Assessing the modalities of aid delivery: budget support, country-led technical assistance and ensuring the conditions which are necessary to enable CSOs to fulfill their roles in the development process.

## Bringing African Perspectives to IMF Reform Debates

### *Continued from Page 4*

b) There is a need for coherence in order to make development finance more systemic. Currently the IMF operates outside efforts at donor harmonization. Given the IMF's important financial role (for those countries still under PRGF) it is important that such IMF financial flows be seen also in relation to development finance provided by other donors. It is for the same reason that financial flows for development which come through NGOs should be part of the whole financial architecture. For development purposes it is crucial to see how the different and the total financing can stimulate the development process. In this regard financial flows from the IMF should be part of the whole. The current mechanism, of donor harmonization needs to include the IMF since they are an important player.

c) As part of the development finance community the IMF could play an important role in influencing the direction of development aid and domestic resources to ensure that the countries remain in the framework of sustainable debt levels. In other words, if and when, as a country begins to slide from debt sustainable levels, the IMF might signal areas or sectors in which development finance could be directed mitigate the tendency.

d) The IMF remains a key institution defining fiscal space and the Medium Term Expenditure

Framework (MTEF) is a key instrument for this. There is a feeling within the NGO community that although the MTEF is a "country-owned" instrument the reality seems that it is a framework which defines the boundaries of macro-economic parameters for securing the stability of the macro-economic fundamentals. Although the IMF denies its grip on the MTEF it is a reality that even if additional development finance were available to meet the MDGs in three years, it is unlikely that this could be permitted as this would distort the MTEF parameters. Would the MTEF allow for doubling of the number of health workers and teachers in any particular year if development finance were available? The answer would be no; largely defined by the MTEF parameters. Various arguments related to absorptive capacity and actual availability would take the upper hand of the argument.

e) Engage CSOs and parliaments at local level for community participation and legitimacy.

f) A debt desolution system should be in place - FTA could be convenient for this.

g) Aid effectiveness as enshrined and refined in the Paris Declaration.

### Conclusion

In conclusion, we propose that the IMF be part of the donor harmonization process so that the role

of IMF finance can be synergized with other development financial flows. In that context, it could play a role in mitigating any tendencies for countries to slide into unsustainable debt levels as other financial instruments could mitigate the tendencies.

IMF should continue to serve all its members, including the poorest and that its resources should be available for supporting macro-relevant, structural reforms as well as dealing with financial crises.



*An FTA campaigner at one of the regional launches shows off part of the campaign material*

# Summary of CSO Segment DCF Multi-Stakeholder- Forum

Rome, 12-13 June 2008

## Preamble

We view aid and development cooperation as part of the wider issue of global redistributive justice - wealth is unevenly distributed, and has been accumulated by rich countries at the expense of poor countries. Aid should be considered as a global public good rather than a charity. No country should be denied the financing required to meet the basic needs of its people.

## The Role of the Development Cooperation Forum (DCF)

The international aid architecture has several key gaps, which means that too much aid does not benefit the poorest people:

- **Lack of mutual accountability:** Currently the relationships between donors and recipient countries are not based on principles of genuine partnership, as donors are not accountable to recipients of aid.
- **Lack of representative fora:** The OECD DAC is a donor driven institution where recipient views and priorities are not adequately reflected. Non-OECD donors are outside the system, and there is no effective multi-stakeholder forum to engage civil society, parliamentarians etc.
- **Lack of transparency:** Aid is not allocated and disbursed on the basis of open and transparent policies, and donors often fail to provide the information to recipient governments which they need to plan budgets effectively. Both donors and recipient governments need to be more transparent to enable civil society and parliaments to monitor budgets and play their accountability functions.

What is needed is an equitable multilateral governance system for aid, inclusive of donors, governments (including local government), parliaments and civil society. CSOs represented here welcome the DCF as an institutional opportunity to address the problems in the current system and move towards this vision.

What should be the role of the DCF? We recommend that:

1. The DCF should be a multi-stakeholder forum. Donors (including non-DAC donors), governments (including local government), parliaments, and civil society. We should learn from this meeting and make sure that the DCF can deliver effective multi-stakeholder consultations and discussions in the future. It needs to be resourced accordingly to facilitate participation.

2. DCF should link the discussion on development cooperation to the existing UN framework of international agreements, including human rights, environmental sustainability and labour standards. Given that there is no strong champion for women's rights within the UN system, the DCF should prioritize ensuring that women's rights perspectives are integrated into the aid effectiveness agenda and related processes.

3. The DCF should work to become the key forum at the multilateral level for the discussion of development cooperation. The DCF should:

- a. Aim to set the agenda on aid effectiveness.
- b. Assume some of the current roles of the OECD DAC e.g. co-hosting the 2011 High Level Forum on Aid Effectiveness.
- c. Complement the existing structures of OECD DAC and the Financing for Development (FfD) process, with development cooperation and development effectiveness as its core mandate and with a remit to resolve issues of policy coherence with respect to development cooperation.

## Development Cooperation and Aid Effectiveness

The DCF should be examining development cooperation and aid architecture more broadly than the OECD DAC process. It should ensure that issues neglected in the Paris Declaration (e.g. just and balanced allocation of aid, policy conditionality, and full untying of aid) are discussed. The Paris/Accra process has been too heavily focused on donor priorities and does not reflect the aspirations of partner countries and other stakeholders for development cooperation.

## Democratic Ownership and Alignment

True democratic ownership does not only mean ownership by southern governments, but must engage parliaments, civil society including women's rights groups, and other stakeholders in the development process. Democratic ownership and alignment must be jointly addressed. Donors must align with national strategies (e.g. reducing conditions) and proactively support capacity and institutions in recipient countries (e.g. supporting CSOs in holding governments to account). Transparency and access to information from both donors and partner countries are essential prerequisites for democratic ownership.

Our discussion of democratic ownership and alignment focused on the following areas:

### 1. Aligning aid with national development strategies

National development strategies should be formulated through wide-reaching institutionalized dialogues that are not donor driven. National development strategies should not only be seen as mechanisms for receiving and delivering aid. They should lay down the path for development policies and programs with emphasis on women's rights. Donors should work towards joint assistance strategies which ensure that aid is aligned to national development strategies that are not based on donor policies.

### 2. Reforming policy conditionality and tied aid

Policy conditionality and tied aid undermine democratic ownership. Development cooperation should not be based on donors' commercial interests and policy priorities. Instead, development cooperation should be based on democratic partnership frameworks, taking into account international covenants, such as on human rights, women's rights and environmental sustainability and labour standards. The responsibilities and commitments of both donors and recipients should be clearly set out in transparent aid compacts which are premised on mutual accountability and sovereignty.

### 3. Aid modalities

Far too much aid never reaches recipient countries. Funding such as scholarships in donor countries should not be counted as official 'aid'. Other forms of aid (e.g. expensive donor TA) should be reformed to ensure greater benefits to poor people. The first priority should be to ensure that aid reaches people in poor countries - aid channeled through partner governments and CSOs is an effective way of doing this. CSOs welcome budget support as a means to increase country ownership and accountability. More aid should be given as sectoral and general budget support. This should be accompanied by increased donor and government support and space for accountability mechanisms, including parliaments and civil society. In particular, there should be increased support for gender budgeting and advocacy.

Technical assistance should be demand driven, and reformed to allow greater South-South capacity building. Donors and recipients should jointly select and manage technical assistance and prioritise the development of local expertise, both through procurement and capacity building.

*For the full text go to [www.afrodad.org](http://www.afrodad.org)*

# Increasing International Financial and Technical Cooperation for Development

By Vitalice Meja

Increasing international financial and technical cooperation for development is key if poor countries are to achieve the Millennium Development Goals. Currently bilateral aid comprises of over 70 per cent of the total Official Development Assistance (ODA) placing them at the centre of financing for development debate. Looking at the past five years, there have been some key improvements in the area of aid quality and quantity.

Funding for ODA has been growing steadily over the last decade, however much of the recent increase has been due to debt relief, and to a lesser extent to emergency assistance and administrative costs of donors putting into question the additionality of aid. In real terms, debt relief alone covered almost 70 percent of the increase in ODA between 2004 and 2005. Donors are significantly off-track in their commitment to add at least US\$25 billion to their aid for Sub-Saharan Africa by 2010 placing efforts to achieve the millennium development goals in real jeopardy.

At the same time international financial and technical co-operation for development continues to mirror the donor and recipient relationship placing the recipient at a disadvantageous position in demanding for the right to chart their own path to development.

Donors continue to earmark their support there by constraining the developing countries' flexibility in allocating resources to key priority areas as well as underfunding of other investments which are equally important for economic growth and poverty reduction. If the scenario is to change, the current co-operation must move beyond the current patronage in which poor countries' policy space and programs are stifled to give way to "internationally" adopted best practices as proposed by the Bretton wood institutions and donor driven institutions.

The Doha outcome document must support the use of aid as a public good and not as a political and economic patronage as is currently exercised. In other words the co-operation must be seen in a context of a catalyst, which should be used to complement and reinforce efforts by developing countries and peoples themselves towards collective development and the progressive realization of the human rights of poor and marginalised groups.

Additionally, outcome document must move towards achieving complementarity across national, regional and global development priorities and programs by defining key principles and targets

that it will seek to achieve before the next review.

In increasing international financial and technical co-operation for development, strengthening democracy is fundamental for achieving both the purposes of the Millennium Development Goals and the aspirations in the Monterrey consensus.

Developing countries must be at the fore front in developing democratic and leadership structures that facilitate democratic national ownership of its development strategies. While efforts towards this end varies across the countries in the developing world, rich countries continue to use financial co-operation as a source of power to override national democratic systems - or the emergence of these - in recipient developing countries.

Donor policies continue to impact negatively upon the sovereignty of national governments and undermine democratic institutions and structures by alienating public institutions such as parliaments and representative organizations, including CSOs, from participating in the debate and monitoring of the international financial and technical co-operation.

Countries such as Uganda, Tanzania, and Ghana that have developed certain level of maturity in their public institutions with regard to national budgetary formulation and execution continue to experience dwindling inflow of per centage of aid towards their national budget while project support continues to expand. The outcome document must therefore develop key benchmarks and reform targets for rich countries to facilitate aid reform including donor accountability to recipient countries and the civil society both in the North and the South.

In the same framework, the Doha process should call for a transparent, inclusive and accountable process at the national level in monitoring the targets to be set in the Doha outcome document.

Policy-based conditionalities continue to undermine a democratic systemic reform process at the national levels. The measures applied by both bilateral and multilateral partners are deeply incompatible with democratic and local ownership as espoused in the Monterrey consensus. While the former continues to use tied aid and technical assistance at it main instruments to reinforce it conditionalities, the latter acting as lead-donor, represent most fully the entrenched and collective power of the donors in their governance and act as a barrier to more progressive aid delivery and international financial and technical co-operation.

The IMF adopted revised guidelines on conditionality in 2002 and the World Bank

conducted a review of aid conditionality in 2005 in which both institutions committed to reducing the overall number of conditions and ensuring that those attached were drawn from nationally developed poverty plans.

However evidence suggest that the impact of consultants, formal and informal pressures behind the scenes from these institutions make the realization of eliminating conditionalities a mirage. Doha document must demand the elimination of conditionalities particularly those that undermine democratic ownership and encourage the development of partnership principles between and among partners.

The role of the World Bank and the international monetary fund must be clearly defined in the context of the FFD. There influence in the developing countries continues to pose a threat to the realization of the objectives for financing for development. They exert tremendous power over recipient countries through their dominant influence over the wider donor community. Their role as 'gatekeeper' in signaling resource transfers remains a source of tremendous power, which limits the ability of recipient countries to reject IFI prescriptions and seek aid elsewhere. Any positive tendencies among bilateral donors for reform conditionality are rendered ineffective by the position taken by the bank and the fund. The Doha outcome document should take cognizance of these institutions' influence over both the rich and the poor economies and bring them in the mainstream of FFD process.

## Emerging Challenges For Financing For Development

The current international financial and technical cooperation is weak in addressing the needs of post conflict countries with enormous social, economic and infrastructural problems. Countries such as Afghanistan and Liberia continue to be subjected to harsh structural and economic reforms by international financial institutions in order to secure international support. The efforts of these governments are further hampered by the heavy debt burden these country have. Failure by the international financial systems to have a framework of engaging such countries call for the Doha outcome document to consider special context of the post conflict countries who need to implement their national development strategies, and establish the political support domestically. Doha should develop and adopt special processes and procedures to assist such countries.

*For the full text go to [www.afrodad.org](http://www.afrodad.org)*

# Xenophobia Sends Shockwaves Through the Region

On 10 June 2008, the Southern Africa Trust, in collaboration with the Foundation for Community Development and with the support of the Open Society Initiative for Southern Africa, convened a regional civil society consultative meeting as A Response to the Regional Human Security Impact of Attacks on Immigrants in South Africa.



*AFRODAD Information Programme Officer Mandla Hadebe at the Conference on Xenophobia in Maputo, Mozambique.*

The meeting was called in response to the recent spate of attacks on migrants from other African countries living in South Africa. This meeting gave expression to an impassioned call by Mrs Graça Machel to join hands and work together as researchers, human rights activists, civil society organisations, businesses, and officials of regional organisations, especially those from Mozambique, Malawi, Botswana, Zimbabwe, Tanzania, Zambia and South Africa. The meeting provided a platform for non-state actors to review the experience and identify the root causes of the attacks on immigrants, and to define appropriate responses and

responsibilities.

The meeting combined presentations by a number of resource people including people directly affected, plenary discussions, and facilitated small working group sessions. The presentations set the tone and guided the discussion on the various thematic issues. The facilitated group sessions allowed for more in-depth discussion and contributions from participants in specific response areas identified during the initial plenary sessions, which culminated in an action plan for implementation.

The meeting included a discussion on key issues and characterisation of the phenomenon of attacks on migrants. Three interventions were made by Mrs Graça Machel (FDC) to discuss the causes of the problem and the need for a civil society response; Bishop Paul Verryn illustrating the case of the victims sheltered by religious institutions in South Africa; and Ms Catarina Manungo, who described her experience as a direct victim of the attacks.

The presentations and discussions highlighted the full magnitude of the problem. For the month prior to the meeting, Southern Africa has been in deep shock at the wave of brutal violence against immigrants from other African countries in South Africa. The violence was centred in poor urban areas, where massive numbers of unemployed people are concentrated in very poor living conditions. South Africa's cities have been consistently receiving a huge influx of people due to the rural/urban drift and regional cross-border

migration.

Situation analyses in a number of countries were shared by representatives from the South African Human Rights Commission, Save the Children, the Open Society Initiative for Southern Africa, the International Organisation for Migration, and the Centre for Population Studies at Eduardo Mondlane University.

The discussions called for the creation of a small steering committee to take the essence of the discussions and draw up an action plan for implementation.

The meeting concluded with a statement from Dr Angelo Mondlane, representing the SADC Secretariat, Mrs Graça Machel and Mr Neville Gabriel. Dr Mondlane made reference to the SADC objectives and principles and its contribution in the process of regional integration and development.

AFRODAD participated in its capacity as a regional organisation whose work covers the affected region and whose network can be tapped on to provide critical analysis in areas of livelihoods. AFRODAD was able to offer advice on the use of various media to carry positive messages across cultures to create public awareness and bring about tolerance. AFRODAD advised that public messages could be channeled through the Southern African People's Solidarity Network, particularly the upcoming People's Summit and that messages of peace and tolerance could also be channeled through websites of networks and other publicity materials.

## Debt Sustainability Analysis National Consultation Held in Kampala, Uganda

Unsustainable debt has contributed to the social problems facing the HIPC and non HIPC countries alike. Not only has it slowed economic growth, it has also restricted the "fiscal space" available for investment in basic services with excessive debt serving undermining access to social services.

The effects of unsustainable debt continue to include among others the diversion of foreign exchange and import capacity, the drain on domestic savings, in due course, the government's capacity is limited to finance investment in social and economic infrastructure. Furthermore it increases uncertainty over exchange rate stability, with adverse consequences for domestic and foreign investment. Consequently the international aid continues to be diverged from poverty reduction priorities into debt repayments.

Today, it is a well-known fact that unsustainable debt has a negative impact on investment, growth, and development and remains part and parcel of the poverty problem. The empirical evidence provided since the early 1990s for a debt overhang in many of the poorest and highly indebted countries led to the adoption of the Heavily Indebted Poor Country (HIPC) Initiative in fall 1996 and now the multilateral debt relief initiative (MDRI).

It was against this background that AFRODAD and

the Uganda Debt Network hosted a National workshop to provide a forum for CSOs, government officials and IFIs officials to dialogue and identify sustainable solutions to the Debt question in Uganda.

The meeting which met under the theme Debt Sustainability – which way for Uganda was held at the Hotel Africana in Kampala Uganda. It attracted 27 participants comprising the government, civil society organizations, members of parliament and members of the media. It was geared towards creating a multi stakeholder forum for finding a lasting solution to Uganda's debt problem.

The meeting benefited from both the research findings and wealth of knowledge and expertise from AFRODAD and the speakers during the meeting.

**VISION**

AFRODAD is inspired by a vision of equitable and sustainable development leading to an African and worldwide prosperous society.

**MISSION**

AFRODAD's mission is to secure a positive policy change to redress Africa's debt and development crisis through research, policy dialogue, information dissemination and advocacy in collaboration with partners.