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Centre for International Studies | Department for Politics and International Relations



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**Statement by His Excellency Mr. Joaquim Alberto Chissano,
Former President of the Republic of Mozambique,**

Why We Should “Rethink” Aid

Dr. Ngaire Woods and Prof. Ravi Kanbur,

Co-Chairs of the Conference on New Directions in Development Assistance;

Distinguished Guests;

Ladies and Gentlemen;

I feel deeply honoured to have been invited to participate in this Conference that seeks to debate an issue of critical importance for developing countries, which is notably how to set “new directions in development assistance”. Both Oxford and Cornell Universities are well known worldwide for being at the helm of academic and political debate towards offering the humanity the solutions it needs to tackle the numerous challenges it has been facing throughout history. I consider this event as yet another example of these universities proven track record of exerting leadership where and when it matters for mankind.

Ladies and Gentlemen;

After fifty years of aid to Africa, which I presume started with the independence of Ghana in 1957 both donors and recipient countries seem united in their unhappiness and frustration with the achieved results, so far. In fact, the developmental problems affecting the African Continent have been exhaustively identified, their technical solutions are well known, big moneys have been spent, but sustainable good results have been elusive.

Controversies about aid effectiveness date back decades. Some experts contend that aid has enlarged government bureaucracies, perpetuated bad governments, enriched the elite in poor countries, or just been wasted. In the barrage of criticisms of development assistance effectiveness, Africa has provided a fertile ground for pessimistic views.

Some critics argue that Africa does not have anyone else to blame but itself for its difficult situation. These critics contend that Africa has received in the last 50 years, about \$1 trillion in aid, that has resulted in very little to show for it. While some would argue that the situation would have been worse had this financial support not been there, others suggest that aid merely served to fuel and perpetuate a culture of patronage which is the root of the governance problem. Therefore, according to this view, any proposal of aid increase to Africa, like the one advocated in the “Blair Report”, would be tantamount to throwing more money away, unless governance issues were first addressed.

Other critics like the Kenyan economist James Shikwati, opted for an absolutely extremist stand by demanding an end to aid to Africa, given its negative impact on Africa’s development. According to this economist, aid only feeds corruption, destroys agricultural and industrial

production, causes unemployment, weakens local markets, undermines entrepreneurship and results in more misery and dependency.

However, other scholars have argued that aid has supported poverty reduction and stimulated growth in some countries and prevented worse performance in others. Although it cannot be categorically said that scaling-up aid would automatically result in poverty reduction, sustainable development and prosperity, there are historical records which show that aid did indeed generate some remarkable successes in helping countries reconstruct or develop rapidly, such as the case of Botswana and Ghana, in Africa.

The adoption of the MDGs in 2000 propelled the challenge of reducing poverty around the world to the top of the agenda of the international community. This was coupled by the release of two prominent reports – The United Nations Project Report (the “Sachs Report”) and the Commission for Africa Report (the “Blair Report”) that advocated substantial increases of aid flows to poor countries, especially in Africa. During its 2005 Summit in Gleneagles, G-8 Leaders agreed, among other things, to commit an additional \$25 billion in annual aid to Africa.

With a massive scaling-up of aid especially to Africa in the horizon, the debate over aid effectiveness has returned to centre-stage. It is against this background that we are gathered here at the generous invitation of the Oxford/Cornell Universities to rethink aid, so that this time around we can be able to reach positive results.

It is my sincere hope that the recommendations of this conference could be of a decisive importance in steering the aid allocation to developing countries, in particular the African ones, so that our people can be lifted out of poverty and misery. May our deliberations be blessed with wisdom and be crowned with success.

Ladies and Gentlemen;

In rethinking aid we must deal with the wrongs that have been hampering its effectiveness on both sides of the equation, namely on the donors and recipients sides. This exercise should actually be geared towards ensuring that we do get aid that is qualitatively and quantitatively up to the needs of recipient countries, so that its effectiveness is assured.

In my view, the multiplicity of reasons explaining the relative failure of aid is the reflection of the complexity of the problem itself and its evolution over the years. Indeed, cooperation started after the independence of the African countries, following harsh relations between colonial powers and their former colonies. In most cases, the colonial relations ended with mutual grievances, recriminations and resentments. In this post-colonial atmosphere, hardly aid would be expected to push the development of African countries that the colonialism itself failed to produce. Furthermore, for each African country in general, the lead donor was the former colonial power, who commanded a lot of influence over other donors and their attitude towards the former colony.

In the colonial metropolis, many influential segments of society were of the view that the independences of their colonies were premature and would lead to internal conflicts, as eventually happened. It is important to mention that in all those conflicts their external component always included interest groups from the former colonial power. On the other hand, many of those negatively affected by the African independences occupied posts of influence in their government and multilateral institutions as well.

Ladies and Gentlemen;

What I want to stress here, is that in most cases foreign aid to Africa did not start in a healthy atmosphere, in which all stakeholders were united to build success together. In some donor countries and multilateral institutions, anti-Africans were strong and influential, and determined to impede the development of the continent, which they saw as an indictment to the European presence in Africa. Anti-Africans included not only those who lost something with the end of colonialism, but also those who were afraid of competition from a developed Africa.

Therefore, even today many Africans see the relationship with donors as still influenced by the colonial past, where donors “know” what, how much and when recipients need. Furthermore, the behavior of many donors may suggest the belief that because they provide resources, they have the right to dictate, in practice, the terms of use of that aid, which is done according to their own interests, irrespective of the views of the recipient. Thus, in some cases, the priorities of donors and recipients do not match; an example of this is the construction of infrastructure in Africa, viewed by the Africans as a high priority for their sustainable development and systematically dismissed by donors.

Through different strategies and mechanisms, donors are perceived as ensuring that the bulk of the implementation of projects in Africa is reserved to their companies and NGOs, on the grounds that the local ones do not have the necessary technical and financial capabilities. On the other hand, not sufficient efforts have been done to give them these capabilities, in particular the African private sector.

The prevailing practice of extensive use of highly paid international consultants also ensures that local capacity is not created or consolidated, while sending back aid to the donor countries, instead of propelling the local economies. The very important concept and noble objectives of capacity building was reduced into a never ending litany of seminars and workshops, many of which are of a more than doubtful value.

The political conditionalities associated with aid have also been a common practice, sometimes with negative consequences, particularly when countries are forced to introduce political reforms at a pace that threatens their stability. At community level, some NGOs start projects and before they are consolidated, move to another place to start others, leaving unfinished work behind them.

Cumbersome bureaucracy leads cooperation to be more concerned with processes than with policy and results. Particularly among the multilateral institutions, bureaucracy continues to be a heavy burden to the weak public administrations, a source of delays in making aid available. Ironically, quite often, the recipient countries are accused of lack of capacity to absorb aid, and not the donors for their heavy bureaucracies, which can be made lighter, without the loss of control they are meant to ensure.

Ladies and Gentlemen;

Recipient countries also do have their share of problems and responsibilities. First, they have to continue their efforts in developing government institutions, particularly those with the responsibility of ensuring the respect for the rights of the citizens, provision of essential services for all and the timely rule of law. A particular challenge of Africa is to bring these improved institutions to the local level, so as to increase the effectiveness and quality of decentralization.

The development of the local private sector cannot be postponed. Bold policies and their implementation is needed, which must include management skills, development and financial support through the banking system, but at affordable cost, and product marketing. This is urgent, if we take into account current efforts towards the creation of common markets in some African sub-regions, such as SADC, which will bring big challenges for the national economies but will also offer great opportunities.

On the other hand, it is not acceptable that, from the privatizations that took place some years ago and the implementation of investment attraction policies, mainly foreign companies seem to benefit and flourish, with local firms only playing a marginal role. If the issue of the national private sector development and its bolder participation in national development is not properly addressed, compounded by the perception that foreign companies are given special attention and privileges, this may become a source of conflict in the future.

We should devise innovative ways to leverage aid to attract private sector resources in order to nurture and support the emergence and consolidation of robust entrepreneurial classes that have a strong stake in the national economies.

National NGOs also deserve policy attention from African countries. Over the last decade, they are proving their commitment to national development in all fronts, particularly in the areas of political development of our countries, in policy formulation and local development. Governments should be encouraged to rely more and more on national NGOs for the effective implementation of local development projects.

The increasing role played by philanthropic organizations and other private sources of aid is welcome. This is not an entirely new development as the role played by institutions such as Ford Foundation in the past attests. Perhaps what is new is the scale and scope of the involvement of institutions such as the Bill and Melinda Gates Foundations, the Clinton Foundation, the Soros Foundation and others. These institutions have made a tremendous impact particularly in the

mobilization of resources for the social sectors such as health and education. The challenge that remains is to encourage these organizations to broaden the scope of their involvement in the economy in order to assist the productive sectors, which will ultimately sustain their valuable investment in the social sectors in the long run.

In my view, the triangle composed of the governments, the national private sector and the civil society should be strengthened, so as to build a strong national partnership that will ensure increased aid effectiveness, on one hand, and ensure the sustainability of the efforts being made for the development of the continent, on the other.

To be fair, aid effectiveness has been increasing in Africa. Indeed, a lot of progress has been recorded, with very encouraging results. Here are just a few examples:

In most African countries, democratic elections are a routine in their political life, notwithstanding the fact that political parties and electoral institutions need transparent support to develop, in order to be up to the challenges of strengthening democracy across the continent;

Democratic institutions are consolidating their respective roles in the African societies. Such is the case of parliaments, political parties, the media, interest groups, etc;

Steady economic growth is taking place in most countries, with benefits spreading to the households and communities;

The provision of essential public services, such as health, education, water, electricity, telecommunications, ICT and others is increasing fast, although the way to go is still a long one;

A growing number of donors are channeling their aid through the national budgets. For instance, that number rose in Mozambique to 19 donors, which attests to the growing mutual trust between the Government and its development partners;

The quality of policy dialogue between the donors and African government is improving substantially.

In all these positive developments a higher quality of partnership between donors and their African partners is present, as a result of lessons learned from the past. The challenge, however, is to improve further this partnership, so that better results can be achieved in Africa, where more demanding and vocal communities are on the rise.

I am aware of the interesting debate in developed countries about the involvement of the Republic of China in aid provision to Africa. In Mozambique we are fortunate that cooperation with China dates back to the days of our struggle for National Liberation and they continued to support us after our Independence. We have cordial and fruitful relations with China based on the principle of mutual benefits. We welcome the commitment by China to scale-up the provision of aid to Africa on fairly favorable terms and conditions that are aligned with our national development priorities and strategies. China's involvement should be regarded as an important complement to the efforts to address the development challenges of African countries.

Ladies and Gentlemen;

The need to improve aid effectiveness has lately been at the top of the agenda of the international community. In March 2005, Ministers of developed and developing countries responsible for promoting development met together with multilateral and bilateral institutions to discuss the critical issue of aid effectiveness, having tackled the issues of ownership, harmonization, alignment, results and mutual accountability.

This forum culminated with the adoption of the Paris Declaration on Aid Effectiveness in which donors pledged to harmonize their efforts amongst themselves and align them with the priorities of recipient countries. In July 2005, G-8 Leaders who gathered in a Summit in Gleneagles promised to increase aid to \$130 billion, and double aid to Africa, by 2010.

These are extremely positive developments that led many to believe that the conditions for the achievement of MDGs were being created. In fact, the expectation was that the volume of aid would increase and its deliverance improved substantially. Although some of the recommendations and decisions there taken are in the process of implementation, there is no doubt that the forces of resistance to change remain alive and strong, causing slow progress.

The positive results being achieved should encourage all the stakeholders to pursue the path of the reforms needed to improve aid effectiveness. Follow-up meetings should take place regularly, to make sure that the commitments made are maintained and implemented.

Uncertainties in aid flows seriously undermine the development plans of poor countries. For instance, African countries count on seeing some of the extra \$25 billion the continent has been promised by 2010. Will it be materialized? Even if this target is met, the aid may arrive in an unpredictable manner. In effect, according to the OECD, only 65% of aid actually arrives on schedule, thus forcing Finance Ministers to cope with shortfalls and windfalls, putting all their plans in jeopardy and increasing the cost of aid due to interest payment.

In this environment of uncertainty, aid has become so volatile that governments have become cautious to fully use it. They could hire many teachers, health workers and civil servants, but only to fire them once the aid flow was over. They could supply AIDS-patients with anti-retroviral drugs, only to discontinue when the money stops. The situation could be completely different for the better had aid been predictable and timely. In this highly unpredictable environment, how can one plan, execute and deliver?

Aid is also so poorly coordinated, with many donors competing and doing the same thing, with the same people at the same time. It was because of this reality that Mozambique always found it critical to have leadership of the process. The challenge of dealing with the rapid influx of uncoordinated foreign aid therefore led to the establishment in 1987 by the Government of Mozambique of a National Emergency Executive Commission, to coordinate donor activities. All donors, bilateral and multilateral, and NGOs participated in coordination meetings chaired by a representative of the government.

These meetings were effective in producing a high degree of coordination in the donor community, forcing donors and NGOs to tell the government what they were doing, follow government guidelines and policies, and often work in places selected by the government rather than by themselves. This system was so successful that led donors to do less emergency relief and more development and reconstruction.

Ladies and Gentlemen;

The Paris Declaration seeks to put an end to the evident chaos in development assistance, by committing donors to supporting recipient countries' strategies to combat poverty and development programmes. We are encouraged to register that some donors are actually heeding to this decision and channeling aid directly to recipient countries, bankrolling them and letting them manage the money themselves.

In rethinking aid, the improvement of its quality equally assumes centre-stage. This can only be achieved if donors do coordinate and harmonize policies and processes among themselves, as well as with the government of the recipient country. General budget support was hailed as the best to accomplish such coordination and alignment of interests and programmes among all players.

In Mozambique we welcomed channeling aid through general budget support as a means of achieving aid ownership, reduce aid fragmentation and increase the number of resources flowing through the national budget, and therefore being more aligned to our development programmes. However, it turned out that general budget support had adversities that we had to deal with.

First, increased administrative burden as government officials had to deal with budget support mechanism, on top of a large number of projects. Second, owning aid entailed improved financial management and reporting with heavy costs. Third, donors' common voice often becomes a common front in an unbalanced power relationship that may have dire consequences to the recipient country. Fourth, the government had to develop a more centralized strategic thinking on aid, in which the burden falls squarely on the Central Planning and Finance Ministries.

Moreover, general budget support was introduced to create the ideal situation in which resources would be made available to a recipient country to implement its policies and programmes, without interference from the donor, either in the formulation or implementation of those policies and programmes. However, instead of ensuring aid ownership by the recipient country, general budget support may actually introduce donors more deeply into the heart of the government, thus compromising the latter's ability to formulate and carry out its policies independently, thus eroding its intended objective.

For instance, it is argued that in Mozambique the PARPA which is the key policy document on the basis of which donor support has been forthcoming, goals are mostly dictated by donor strategies, dictated by the dynamics of the international debate of the period it was enacted. In

fact, the first version (2001-2005) of this document focused heavily on the provision of basic services such as health and education. On the other hand, the second version (2006-2010) has greater emphasis on the productive sectors.

Furthermore, aid effectiveness and government ownership can be undermined by the way aid is provided, with proliferation of individual projects responding to donor preferences rather than government priorities, and placing heavy burden on an unskilled bureaucracy. On the other hand, dealing with many donors results on overemphasis on the process rather than the content of the policy dialogue between the government and donors, resulting in further erosion of the government's capacity to manage such an increasingly complex interaction with multiple donors.

If we are to ensure aid effectiveness, we must do away with these bottlenecks that just do more harm than good. In rethinking aid, we must focus on ensuring that the impact on aid is actually felt on the ground. This may lead one to assume that the whole exercise is done on purpose as this overload becomes a serious factor in the recipient government's subservience on policy issues, as Ministers and officials spend so much time dealing with donors that they have insufficient time left to fulfill their government responsibilities.

Ladies and Gentlemen;

Rethinking aid is such a wide topic that cannot be exhausted in just one presentation like this one. The intention of this presentation has only been to raise a few issues rather than present a comprehensive statement of what should be done as far as rethinking aid is concerned.

With regard to Mozambique, it has become clear that aid had somehow made difficult the materialization of the national sovereignty and the possibility of freely choosing the policies to implement. Aid came with imposition of prescriptions and questioning of the predominant development paradigm. Aid fragmentation forced recipient countries to devote more time and attention on managing processes rather than its content. Ill informed prescriptions by donors often failed because donors did not have a deep understanding of the situation in the recipient. Therefore, it is equally important for donors to know the history of the recipient country, in particular the internal dynamics that lead to the taking of certain decisions and development policies.

Aid does help the development of poor countries. But its quality and quantity must be improved. For aid to be effective it must be provided in the right quantity, at the right time and under the right conditions, modalities and processes. It must always be conceived to propel the recipient. Therefore, it must create and strengthen capacities in the recipient country. Look at the example of Malawian farmers that doubled their agricultural productivity and output in just one season, thanks to seeds and fertilizers that they received through aid. Look at the example of Senegal that is reported to be close to meeting the relevant MDG for access to potable water through foreign aid. This shows that aid does work, if provided under the right quantity and quality.

In rethinking aid, the first thing that comes to peoples' mind is the amount of money that is supposed to be provided. Therefore, for many people quantity is what matters most. But in fact quality equally matters as you may actually mobilize an impressive amount of money that if it is not going to be used according to fair and balanced set of rules that bring together providers and recipient, the impact will just be very little or negative. That's why I believe that in rethinking aid we must aim at enacting an effective compact bonding donors and recipient countries towards clear, expressive and visible results on the ground.

The new global compact on aid should be based on a true spirit of partnership and solidarity, focused on lifting people out of poverty, generate economic growth and propel poor countries to sustainable development. Aid should be targeted to achieving quick-wins where emergency and suffering are widespread, helping recipient bolster or strengthen their capacities rather than weakening them, and nurturing productive capacities to foster self-reliance and the ability to live in the global village as an equal partner.

In rethinking aid, we need to come up with a system in which donors and recipient countries have mutual trust, centered in the notion of the acceptance of the recipient government's leadership of the overall development process. Only when the government exerts leadership of the process it can claim ownership of aid. In the new global compact on aid, developing countries should be awarded a chance to formulate and implement their own programmes. In this global compact, recipient countries should set their priorities and donors should monitor their aid programmes without grossly interfering in policy formulation. Donors and recipients must enter into a partnership where accountability is demanded to both parties, and dialogue is a must. Aid must be aimed at providing effective solutions to those in need. Only then its effectiveness will be a reality, to the benefit of humanity.

I thank you!