17

Africa's External Constraints: What Developed Countries Should Do

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This is a time of major initiatives by developed countries to reduce external constraints to African development. That is why I am not going to discuss only what the international community should do for Africa but also what the international community is likely to do for Africa, and what Africa has to do to benefit most from these initiatives.

It is important to ask whether the international community should do anything for Africa. One interesting reaction by many Africans, in civil society in particular, to the UK Commission for Africa report, for which I helped write several background papers, was that the international community should let Africa develop on its own. I disagree profoundly. Africa's relationship with the international community is crucial for its development – and unless those committed to African development speak up loudly, this relationship will be left to those with other much less laudable motives, and its development will be undermined. For this reason, it is also vital to analyse what the international community *should not* do.

It is also important to look beyond developed countries: at what international institutions and other countries should do, because Africa's South-South relations are increasingly important.

My thoughts are based mainly on the ideas of the 35 low-income African governments we work with extensively, and earlier work I have done with organisations such as AERC, ECA, FONDAD, MPH (the Make Poverty History campaign), the North-South Institute, and the Swedish Ministry of Foreign Affairs. It contains informal preliminary thoughts, which are doubtless not comprehensive or unbiased.

From: Africa in the World Economy - The National, Regional and International Challenges
Fondad, The Hague, December 2005, www.fondad.org

I will look at six issue areas: (i) economic policy and governance; (ii) poverty reduction policy; (iii) shocks and non-shocks; (iv) financing issues (aid, debt relief, and private flows); (v) trade access and capacity; and (vi) enhanced voice for Africa.

1 Economic Policy and Governance

In terms of economic policy, the major constraint for most African countries is excessive conditionality. Almost every low-income African country has a Poverty Reduction Strategy Paper now, and many other countries (such as Nigeria and Swaziland) are trying to construct similar programmes. It is a general consensus that many of these have far too much external input. Most countries also face additional conditions through IMF PRGF loans, PRSCs from the World Bank, multi-donor budget support frameworks, and bilateral conditions from many donors and lenders. There have been laudable efforts in recent years to try to streamline this conditionality, but they are not going far enough and more needs to be done.[1] Everybody is currently reviewing international organisations' conditionality and trying to streamline it further.

There is also growing shadow conditionality, otherwise known as selectivity in aid provision, which is a very negative trend. This is a different type of conditionality in which countries don't get to negotiate with the providers of money what the conditionality should be, because the allocation or the willingness to give anything at all is decided in a non-transparent way by the providers themselves. The most alarming type is the pre-selection in the US Millennium Challenge Account (MCA), but the World Bank's performance-based allocation framework of the CPIA is not much better.[2] They are particularly worrying because they give high importance to governance and institutional change conditions, even though the international community has shown itself to be extraordinary bad at changing these over the years.

Another major problem is that restrictive macroeconomic frameworks set by the IMF still provide insufficient "fiscal space" to absorb aid in sufficient amounts to reach the Millennium Development Goals. There has been some sign of change here, but nowhere near enough.

In terms of what the international community should do, the first step

[1] See e.g. Matthew Martin and Hannah Bargawi (2005a).

[2] For critical comments on MCA and CPIA, see Ocampo (2005).

is to streamline conditions much more dramatically. The recent initiative by the UK DFID, which will dramatically streamline conditionality, should be followed by everyone. They are going to cut conditionality back to: (i) having an economic programme broadly on track, which they will assess independently from the IMF and much more flexibly; (ii) minimal fiduciary conditions relating to public expenditure management; and (iii) minimal human rights and governance standards.

Similarly, we should avoid entirely shadow conditions and selectivity. If this is not possible, all assessments of country performance should be fully transparent and preferably based on the country assessing itself, and with a much lower weight for governance conditions.

Finally, we should provide greater macroeconomic flexibility and fiscal space in programmes, in order to allow countries to absorb additional aid.

What is likely to happen? A rather mixed picture. Some donors are beginning to move in a similar direction to DFID, but others will continue with many bilateral conditions or prior selectivity. It would be interesting to get the views of the IFIs represented here, as to whether IMF, World Bank and multi-donor budget support conditions will be streamlined. Obviously, it will depend on the views of their major shareholders and those donors who are co-financing multi-donor budget support. My impression is that these are relatively split about which direction conditionality should take. The World Bank is taking moves to disseminate the results of the CPIA system, but it would be much better if it could fully adapt the assessment to country's own priorities, and discuss it transparently and openly with civil society in each country. There will be some progress on fiscal space, but only if in particular the IMF can be convinced that providing more fiscal space will be compatible with macroeconomic stability, that the country has the capacity to absorb aid, and that the money will be spent transparently.

So if Africa wants to benefit from what is likely to happen, it needs to continue to develop its own capacity to negotiate down conditions and demonstrate the case for fiscal space. Often the reason why Africans don't get flexibility from the international system, is that they don't have the capacity to convince anyone that they have a case. Second, Africans need to design their own systems for a self-monitoring peer review of policy quality and not rely on external assessments of what is good economic policy. And third, they need to develop the will to be more selective about the donors they use, depending in part on the conditionality those donors insist on.

2 Poverty Reduction Policy

Poverty Reduction Strategy Papers (PRSPs) are a huge step forwards because they force Africa and its international partners to focus on poverty reduction as well as growth. But they suffer from several major problems:

- African countries' wish to spend more on poverty reduction has often been overridden by the needs of macroeconomic balance and stability. The IMF Independent Evaluation Office concluded a few months ago that generally PRSP macroeconomic frameworks were aligned to rather unambitious IMF PRGF programmes – rather than the reverse, which had been the original intention.
- The structural policies African countries have been asked to implement are mostly not analysed for their poverty impact in enough detail – but rather are just being assumed to be good for the poor.
- The first generation of PRSPs were mostly too narrowly focused on the Millennium Development Goals, social sectors and safety nets. This is less true in Eastern and Southern Africa, because there was more donor money around, and countries developed their own strategies which went well beyond the social sector. But in Francophone Africa, virtually all of the additional spending which in the first generation of PRSPs was health, education and water. Of course, the Millennium Development Goals concern goals that we all care about deeply, and to which the whole international community has committed itself: but the Commission for Africa, NEPAD and the World Bank have recently stressed how vital infrastructure is as well.[3]
- There was insufficient attention given to the voices of the poor in African countries. They were consulted, but usually did not feel they had participated in designing the strategies.

In that context, what needs to be done?

1. Aligning macroeconomic frameworks with spending needs for poverty reduction and the Millennium Development Goals. Here the UN Millennium Project has made unique progress (whatever the criticisms of their detailed methodology) by starting from the right end of the process by saying: how much do we need to spend to reach the MDGs, and what do we need to do to get there? Similarly, the World Bank has recently done good work in Ethiopia and

[3] See the chapter by Ndulu, Kritzinger-van Niekerk and Reinikka in this volume.

Nigeria, working out what we need to do to generate the growth rates required to achieve the MDGs, and how we should mobilise the money to support them.

2. Ensuring that all major macroeconomic and structural policies are pro-poor, based on comprehensive and participatory poverty and social impact analysis – PSIA as it is known. This needs to go beyond analysis of single structural policies such as privatisations, to the overall macroeconomic framework and such vital aspects as tax and spending incidence.
3. Allowing more space for non-MDG related needs. Sometimes we forget what a limited sub-set of goals these are. Some time ago I was training some people from Benin and Rwanda in London in analysing the health-related MDGs, and a woman from Benin said: "The MDGs cover the key diseases and maternal and child health, but what happens to the men, are they not allowed to be healthy ?" This slightly naive question showed how the MDGs don't take a wide enough overview of national health systems.

   We also need to broaden the definition of poverty reduction spending, to include infrastructure. But how far should this go? I have over the last 15 years of working with Africa heard many people talk about infrastructure. What this means varies from wells in rural areas to six-lane motorways, or presidential palaces. Almost anything seems to be able to be called infrastructure – and we should step up efforts to reject funding of white elephants, especially by our export credit agencies.
4. Ensuring that the voice of the poor takes precedence permanently. There is a strong danger in many countries that the participatory process that was created for building Poverty Reduction Strategy Papers is dying away. The process of consulting the poor during implementation and revision is not nearly as strong as it was in the design of the first generation of PRSPs. Added to failure in many countries to deliver results, this could discredit the whole PRSP process.

What is likely to happen here? There will be some marginal changes to macroeconomic frameworks, but it is still likely, unless Poverty Reduction Strategy Papers dramatically improve their macroeconomic content, that they will continue to align their macroeconomic frameworks to PRGF negotiations with the IMF, rather than vice versa. Probably, a few structural policies in each country will be examined for their poverty and social impact, but far too few. And the analysis may continue to be done largely by the international community, with far too little African participation. There will probably be a continuing primary focus on the Millennium Development Goals, with some inclusion of infrastructure spending, but also some continued funding of white elephants.

There may also be a reinforcement of participatory frameworks and the capacity of the poor, civil society organisations and parliaments to analyse all of these policies. But while a lot of fine words are spoken about this, and the Dutch government has launched some fine initiatives, there is a great deal more to do here, and little sign that it will be forthcoming.

What does Africa need to do? First, to ensure that second-generation PRSPs contain a full analysis of broad-based and pro-poor growth. Second, that they contain PSIAs of all major structural and macro policies, preferably conducted by the government with independent support. Third, that they contain any growth-promoting infrastructure-related spending needs. And fourth, that participatory structures and transparency of government, above all to Parliament, are dramatically strengthened.

3 Shocks and Non-Shocks

Africa faces huge and frequent, and indeed in many cases growing, shocks: unexpected events which undermine its development, whether they be climatic, commodity prices, aid volatility, political shocks or conflict. However, a lot of these are not shocks.

- For the last 10 years, nobody has been able to claim that HIV/AIDS is a shock, but yet it is only in the last three or four years that BWI research has began to take into account the devastating impact that it might have on national development.
- In many countries of the Sahel, desertification is a longstanding, creeping peril and yet it is never included in economic projections.
- We all can quite easily calculate historical commodity price volatility, aid volatility or shortfalls, and the impact of foreseeable conflict or political problems. Yet in response to all of these, the international community has often sat on its hands and hoped they would go away, rather than intervening and trying to counteract their projected effects.

Equally important, the international community should stop causing

From: Africa in the World Economy - The National, Regional and International Challenges
Fondad, The Hague, December 2005, www.fondad.org

shocks itself. If we are serious about reducing Africa's shocks, we should be combating climate change much more strongly; ending agricultural subsidies and protection; improving aid stability and disbursement; being much tougher on poor governance; and especially ending arms sales.

We should also be investing dramatically more in helping to prevent shocks. Many things can be done to prevent desertification, droughts or floods. We can build food stocks, diversify out of primary commodities, reduce aid dependence, and especially fund African institutions to facilitate political dialogue, conflict prevention or peacekeeping. In Darfur and other regions of Africa, international leaders have pronounced wonderful words about wanting African institutions to lead, but took a long time to fund them to do so.

Finally, we all need to forecast and combat the impact of non-shocks. It is very easy to set up contingency mechanisms and funds at an international level to deal with this. We have recently written papers for the Commission for Africa and DFID on this (Martin and Bargawi, 2005b), as has Alan Gelb within the World Bank.

What is likely to happen? We are all likely to act too slowly, on climate change, subsidies and protection. We should see some improvement in aid stability and disbursement, but not enough. Most disappointingly, the international community is likely to continue to give conflicting governance signals, with some members of the G-8, for example, being very tough on governance, and others continuing to fund the same appallingly governed countries they have funded until now. And equally, few are likely to give up chances for arms sales where there is a market. We will probably not invest enough in preventing shocks, and therefore will continue to have to spend fortunes to overcome their effects after the event. We will probably improve our forecasts, but still be too optimistic in our expectations. Above all, I hope we will establish more anti-shock financing mechanisms, preferably with extremely low conditionality, and grant based.

What does Africa need to do? It needs to insist on including anti-shock measures, contingency funds, and realistic projections as a core part of PRSPs; to reinforce and fund African institutions for political dialogue, conflict prevention, and peacekeeping, particularly peer review processes; and to build its own capacity to make forecasts of non-shocks, and establish contingency mechanisms supported by donor funds to deal with them.

4 Financing

Aid to Africa Needs to Be Improved

On aid, I do not want to give the impression of only talking about official development assistance from OECD governments. A lot of this analysis applies equally to NGOs and international civil society organisations. The biggest constraints on aid financing have been:

- Insufficient aid for public investment to grow and reach the MDGs. A conference run by the IMF, DFID and INWENT in Maputo in 2005, asked "will too much aid provoke Dutch Disease (currency appreciation) and undermine Africa's exports?" The overwhelming response from African governments was that their real problem was insufficient and volatile aid.
- Poor aid quality and low effectiveness. Around 50-60 percent of aid is of poor quality. This is a controversial figure – Action Aid recently produced a report suggesting that 75 percent of aid is of poor quality, but most donors would suggest around 30-40 percent. Effectiveness varies across donors, but several give aid which achieves very little in terms of development.
- The global aid architecture is thoroughly inadequate. It has seen massive institutional proliferation, of multilateral, regional and sub-regional organisations, private sector foundations, and NGOs. It has also seen extremely skewed distribution across countries. Most countries in Eastern and Southern Africa get enough high-quality aid to reach the MDGs, but Francophone Africa has far fewer poor-performing donors, and therefore little chance of reaching the MDGs.

The international community should double aid to Africa. Annual flows at the moment are 25 billion and they need to rise to 50 billion immediately (not over the next five years) – an amount that Africa can easily absorb on essential health, education, anti-poverty and infrastructure spending. Above all, the international community should improve the quality of aid – because a rise in poor quality aid will only leave all sides asking in 5 years what bad aid has achieved and why it shouldn't be cut.

When Trevor Manuel was asked in a BBC interview the other day what he thought was the number-one thing the international community should do for Africa, he said, "Provide more budget support for countries which have good budgetary systems, rather than fragmenting everything in multiple projects". I agree that this is the number-one priority aid issue.

But there are others which are equally important, for example, transforming technical assistance into capacity building. Almost everybody, these days, calls any technical assistance project that they have a capacity building project. Very few of them are: it is a very long way from those nice words to actually building sustainable capacity in African countries, for them to do things themselves rather than making them dependent on a never-ending series of expatriate advisers.

Similarly, it is necessary for the international community to align all their aid procedures with national systems where these are reliable, and put aid through African budgets rather than executing everything themselves, to make sure that as a result it is disbursed much more rapidly.

And it is necessary, as I earlier said, to streamline conditionality, and improve the quality of the policy dialogue: listen more to what African governments and civil society's priorities are at the national level.

For predictability of aid it is vital to make multi-year pledges so African governments can plan ahead, and then to ensure that the aid comes predictably as it was promised and the aid tap is not turned on and off all the time. Equally, we should all set aside extra contingency funds in case aid does not come as predicted or other exogenous shocks hit the economy.

What is likely to happen? Just about everybody – including the G-7 and EU – seems to be pledging to double their aid to Africa. But we should be cautious here for two reasons: (1) they (especially Canada, Japan and the US) are not pledging their global aid will double and therefore it is not clear we can rely on them to cut their aid to other regions in favour of Africa; and (2) they may well be derailed by budget constraints, as Germany and Italy have been from delivering what they promised a few years ago as an EU target.

The quality of aid is likely to improve, but patchily across donors. There are initiatives under way, sponsored by the OECD DAC, with developing country partners, to try to improve aid quality. But some donors have strange ideas of what constitute quality improvements, different from most of the international community. For example, "privatising aid" – as a result of which in the US, the Millennium Challenge Corporation has taken three years to begin disbursing any funds. This is why it has taken five years since the MDGs for donors to produce targets for themselves on aid quality.

Donors are also more likely to harmonise among themselves, than to align with country priorities. Donors have made a lot of progress in trying to have joint missions, similar reporting formats and procurement systems, notably across the different Multilateral Development Banks, than they have so far with aligning with country systems, as the DAC's own analysis shows.

We will not see much progress on reforming the aid architecture. IDS produced an excellent report for the Swedish government on this.[4] Halfway through a conference in Stockholm to discuss it, a Swedish policymaker asked: "You say institutional proliferation has been negative, but which organisations would you abolish?" There were 40 experts on the international financial system in the room, but nobody could agree on this. In fact, the report itself was proposing the creation of another sub-regional Multilateral Development Banks. This is an issue similar to that of regional integration in Africa – there are many overlapping regional organisations, some of which achieve nothing, but nobody will close them down due to vested interests.

It would be fantastic if Africa would decide to close down some of these institutions or at least reduce their time demands on policymakers through countless meetings. The recent decisions to merge AfDB and UNECA ministerial meetings are a very good first step.

Africa also needs to develop its own aid strategies and scenarios to ensure that countries mobilise the right quantity and quality of aid. It is pleasing to see that the UNECA is going to lead this process through a mutual accountability initiative with the DAC in the next few years. They can best build on our work with BCEAO/BEAC, MEFMI and WAIFEM, to help 35 governments in Africa to develop their own aid strategies and scenarios.

Africa also needs not to be afraid of aid dependency. It is easy to find Africa's aid-to-GNP ratios alarming, but Botswana and Korea, in the period when they had most rapid growth, had much higher per capita aid flows than the poorest African countries today. The high aid-to-GNP ratios really reflect the appallingly low level of GNP of most African countries.

Africa needs, in addition, to prove it can absorb aid without destabilising the economy, on high-quality spending and by improving government procedures and transparency, to ensure that donors do

[4] Francisco Sagasti, Keith Bezanson and Fernando Prada (2005), *The Future of Development Financing - Challenges and Strategic Choices*, Palgrave Macmillan and Ministry for Foreign Affairs, Sweden, Global Development Studies No. 1.

move forward on alignment. What is very clearly coming out of the DAC negotiations on donor commitments is that donors will move only in countries where they feel that African governments' own procedures are adequate.

Africa also needs to become more selective about the donors and aid types it wants. Until now, most African governments have had aid strategies which are limited largely to the cost of the funds. They have not thought about cutting back on donor numbers. Mozambique, for example, has 65 donors, two of which give it much less than $1 million a year, and yet the government spends eight days a year hosting Ministers from these countries. Nor have many done enough to streamline the types of aid they are prepared to accept (notable exceptions are Tanzania and Uganda).

Africa needs to build its own capacity to analyse aid quality and, above all, to hold donors mutually accountable – but not just to implementing the internationally-agreed targets, because they are going to be so vague that it will be impossible to hold any individual donor accountable, and will leave out some vital indicators such as conditionality. So African governments need national targets, and national indicators. They also need to be more accountable to their own parliaments and civil societies for how aid is spent. In this respect, recent initiatives in Zambia to establish a much more tripartite system for consultative group meetings are laudable.

Debt Relief Without Hurdles

On debt relief, we all know two of the main constraints: the debt overhang which deters private and public investments; and the debt service which diverts resources away from the MDGs. But there is a third constraint that has received less attention, which is the domestic and private sector debt that is becoming a major problem in Africa.

The international community should use debt cancellation extensively. It is a very high-quality aid instrument, if well designed. However, it needs to be accounted for properly, and not used to inflate ODA falsely. We are all going to see an apparent increase of $10 billion a year in aid over the next three years – but this is mostly going to be debt relief for Iraq and Nigeria – so this should be stripped out to show what is really happening

We need to extend debt relief beyond the Heavily Indebted Poor Countries (HIPCs), to all modestly indebted low-income countries.

Because debt sustainability is not about "present value", or debt sustainability ratios. Debt is sustainable only when the Millennium Development Goals are financed. I do not want to give the impression that debt relief is universally desirable. Where you are accessing international capital markets it may not be, depending on the terms of that access. But there are a lot more African countries where creditors could introduce unilateral debt relief and actually thereby enhance their access to capital markets.

We should also be including domestic and private sector debt, in both analysis and workouts. Before anybody gets alarmed, I don't mean that we should be diverting donor funds to deal with private sector debt. But we should all be aware that domestic and private sector debt have wrecked developing country budgets and reserves many times in the last 25 years. And that if we don't monitor, analyse, and do something about them in workouts, we won't protect countries from debt problems.

We also need to remove the hurdles, delays and suspensions with which HIPC and other debt relief schemes have been riven. There are many other ways to ensure that debt relief money is well spent: if we are really worried we can place it in a trust until it can be better spent. We don't need the various conditionality hurdles for debt relief: we can easily get rid of them.

What is likely to happen?

- HIPCs will get their multilateral debt to the IMF, IDA, and the African Development Bank cancelled. The G-8 deal represents a major step forward by saying, "We do not care about debt sustainability in determining how much debt relief we have to provide; we consider the lack of money for the MDGs, and the need to get money there quickly and in a high-quality form, to be the most important issue".
- Nigeria may get a debt relief deal, but there will not be a lot of progress for other countries.
- There is little prospect that people will drop the hurdles and suspensions that result in the delays and suspensions in debt relief.
- There is a prospect that there will be an improvement in transparency of accounting for debt relief.
- There is a lot more prospect that the multilateral organisations and donors will conduct more analysis of domestic and private sector debt, although this may not be sufficiently tied to action to reduce the burdens.

What does Africa need to do? First, enhance the capacity, particularly for non-HIPCs, to argue their case for debt relief where it is desirable. Second, develop its own future borrowing strategies and scenarios to fund the Millennium Development Goals. Third, insist on more analysis and action on domestic and private sector debt. And fourth, continue showing transparency on how it spends debt relief proceeds.

Private Flows: The Need for Higher Quality

Typically, at an international level, the main constraint for Africa is often seen as insufficient foreign private capital. But a lot of work that we are doing, with BCEAO/BEAC, MEFMI and WAIFEM, is demonstrating that there are massive private capital flows in many African countries, which we just have not been tracking until now.[5]

So perhaps the constraint lies in their often low quality. What do I mean by that? They are not necessarily going to the sectors that would be regarded as key for African growth (although that too is changing as investors diversify rapidly beyond resource-based investments), they are not going to poorer regions in countries, they are quite volatile, they have very high repatriation and return levels, they contain a large amount of private sector debt, which is quite worrying for long-term debt sustainability, and they pay no taxes. While the international community has paid some attention to quality of flows with things like corporate social responsibility and some targeted investment promotion and incentive strategies, this is not enough.

Another issue is the huge amount of outward remittances and capital flight, estimated in excess of $2 billion. Yet people often forget that these flows are largely confined to the richest 2 percent of the population, and they happen because most OECD governments and their economies welcome such flows with no accountability. It is striking that many major OECD countries still have not signed international anti-corruption conventions, and are putting restrictive conditions on repatriating stolen funds to countries.

In quite a few countries remittances are reversing into huge capital

[5] See Martin, Matthew and Rose-Innes, Cleo (2004), *Private Capital Flows to Low-Income Countries: Perception and Reality*, In: Canadian Development Report 2004, North-South Institute, Ottawa; and Martin; Matthew; Rose-Innes, Cleo; and Rogers, Gill (2006 forthcoming), *Private Capital Flows to Low-Income Countries: Perception and Reality*, Development Finance International, London.

inflows, although again this is not tracked well. Some have suggested that many African countries could tap investment from these remittances, and it is true that in some countries (e.g. Uganda) remittances have been a major channel for investment. But in many others, remittances are primarily for safety nets and helping out families, and hold little investment potential.

What can the international community do? Encourage greater foreign flows, but not treat them as a panacea. Often people talk as if more FDI could solve Africa's development problems. Yet many other regions, and indeed Africa, have suffered foreign exchange crises, as a result of private inflows turning themselves into outflows. So we need to encourage not just quantity but above all higher quality flows, with less debt and more equity, more stability and less volatility, better risk assessment to reduce the very high returns demanded by countries, and investment in underinvested sectors and regions. Africa and its international partners need to tailor and target the types of investment, encourage public infrastructure investment to facilitate private flows (though avoiding high-cost public-private partnerships). Enforce anti-corruption conventions, track capital flight and money laundering much better and repatriate stolen funds. And we need to encourage inward remittances, but also improve their quality if we can.

What is likely to happen? There will be encouragement to greater foreign flows and liberalisation of capital accounts and inward and outward flows, but there may be much less attention to quality or volatility of the flows until there is some major foreign exchange crisis which appears on the international radar screen. There will certainly be more focus on public infrastructure investment, and some on dealing with capital flight and stolen assets. Another current vogue is for reducing the cost of inward remittances by reducing transaction costs in money transfer companies.

What does Africa need to do? Enhance government institutions' capacity to analyse the quantity, quality and impact of foreign private capital. Interestingly, most in the donor community seem to see this area as one in which high-cost commercial international consultants should lead, rather than building sustainable public sector capacity. Second, revise investment promotion strategies to target high quality flows. Third, stress public infrastructure investments in the PRSPs. Fourth, track capital flight more effectively, and enforcing anticorruption strategies and pursuing repatriation more actively. Fifth, design measures to try to tap inward remittances.

5 Trade Access and Capacity

The major constraints here are often seen as trade barriers, protectionism, agricultural subsidies and dumping. As with private flows, analysts often make simplistic assumptions that freer trade would benefit Africa along with other countries. But, if all the barriers and subsidies went away, would Africa be the one to benefit? No, because it would still be focused on a narrow range of primary commodities, and have problems with processing, market information, complying with developed country or purchaser standards, and infrastructure. In other words, it would lack capacity to trade. So the international community needs to continue special arrangements for the poorest countries while they develop the capacity to trade. Another simplifying assumption often made is that the benefits from trade will get to the poorest people in developing countries. This is highly unlikely as long as there are unfair trade arrangements within countries (such as monopolies, monopsonies, and inability of poor producers to access markets).

The international community must get rid of all the problems it is causing by reducing barriers and protectionism, subsidies and dumping. But if it cares about African development it also needs to invest massively in enhancing African capacity to trade, ensure maintenance or enhancement of special arrangements for the poorest countries, and examine and reform international and national production and marketing structures to ensure that the benefits from trade really reach the poor.

What is likely to happen? This is probably the area of least optimism. Major steps forward in Hong Kong at the end of 2005, on protectionism, subsidies and dumping, would frankly be a miracle. We will probably retain special arrangements for the poorest countries, but with only marginal benefits. There will be substantial investment in building countries' capacity to trade, but let us hope they are of better quality than existing programmes. Most important, people are unlikely to pay enough attention to distribution of benefits. The World Bank and others have done good analytical work on this in the last few years, but then not implemented findings on the ground.

Africa needs to invest heavily in designing its own trade strategies, ensure that its capacity needs are included in second-generation PRSPs, enhance its negotiation capacity to attain special arrangements, analyse for itself the antipoverty benefits of trade increases, and reform when necessary internal production and marketing structures to make trade more equitable.

From: Africa in the World Economy - The National, Regional and International Challenges
Fondad, The Hague, December 2005, www.fondad.org

6 Enhanced Voice and Listening

Everybody talks about the fact that there is insufficient African voice in the international system. That is often seen to spring from three factors.

- There is an inadequate technical capacity to express that voice, although there are now very many well qualified articulate experts in Africa, and some excellent initiatives such as the technical support to the Bretton Woods Institutions' African executive directors offices, managed by the AERC and funded by the Netherlands and the UK.
- Inadequate voting rights and structures in international organisations.
- Inadequate groups to express African voices collectively, notably because a lot of groups are dominated by large middle-income countries.

On the other hand, the main reason for insufficient African voice is that the international community did not listen enough. That has changed much over the last few years with the whole of G-8 beginning to focus on Africa and especially in 2005 with the Commission for Africa.

The international community should, if it is serious about continuing that trend, assist Africa to build technical capacity to negotiate international systemic issues, reform voting structures and rights in international financial institutions and the UN Security Council. Support groups through which smaller and low-income countries can be heard. Listen to African preoccupations via the UNECA Big Table, NEPAD, a revitalised African Development Bank and the mutual accountability process.

What is likely to happen? People will assist African capacity but somewhat patchily. Probably there will be very little progress on the voting structures and rights, partly due to division within Africa. People are likely to support smaller country and low-income country groups intermittently, particularly where they focus on key issue areas. And people will obviously vary in their degree of listening, and will to be held genuinely mutually accountable.

Africa needs to fund its own training of technical capacity, which is happening through AERC, MEFMI, and some other regional and subregional organisations. It needs to campaign on voting issues in a more united way, for example agreeing on a rotating seat in the Security Council rather than continuing to fight over which one or two countries should have a seat. Larger African countries could give smaller low-income countries more say. Analyse donor policies for themselves and hold them mutual accountable on all the above issues.

7 Overreaching Issues and Priorities

Finally, a few overreaching issues and priorities.

- Africa does not have homogeneous needs or capacities, so the international community needs to tailor all the international actions to varying needs. But this does not mean putting countries in pigeon holes and then having rather indiscriminate selectivity. For example, people talk about fragile states, as if they were a permanent separate group of countries. They are not: many countries fall in and out of fragility, and almost every country has some degree of fragility. There is a tendency, for example, to say one cannot build capacity in fragile states, because their government structures are so weak that they need technical assistance. That is rubbish; because if you pour technical assistance into weak institutional structures with no attention to building capacity, local staff get even more demotivated and you end up stuck with no capacity.
- I have talked about mainly what the G-8 and major OECD countries will do, but obviously there are tremendous benefits from South-South cooperation. To enhance its voice, Africa needs southern alliances: the G-20 and the cooperation between India, Brazil and South Africa have been very positive in recent years. Other southern countries are also often much more flexible and open on the other issues I have talked about, notably trade and FDI, and they are becoming increasingly important aid sources. In many African countries, China is becoming one of the biggest sources of aid and investment. But we also need to be realistic about South-South motivations. Fundamentally, donors, businessmen, investors and NGOs from those southern countries have the same sort of motivations as those from OECD countries. They may have more understanding of the local context and be more flexible, but one needs not to treat them like automatic friends.
- There will be a huge variation in the responsiveness of the international community to Africa's needs across different issues. So Africa needs to define clear priorities for what to do for itself. Top of the list must be designing its own second-generation growth and poverty reduction strategies with a strong focus on infrastructure, trade, anti-shock measures, and poverty impact analysis. Next comes designing its own strategies for development financing, especially looking at the quality of the money and not just assuming that everything that comes in is good, whether FDI, aid, or debt relief. Next, demonstrating its

capacity to monitor, analyse and absorb all of this funding productively – especially to its own people, so that they realise Africa can gain from working with the outside world.

We are now five years after the Millennium Development Goals were agreed, and we have only 10 more years to meet them. Most African countries have designed plans to meet the MDGs; yet, at a meeting in Paris in March 2005 (the Paris High-Level Forum on Aid Effectiveness, see www.aidharmonization.org), a couple of very unlike-minded donors suggested that donor targets to support them should refer only to 2015. Fortunately, African countries, NGOs, and like-minded donors said, if donors don't do anything until 2015, how can we possibly expect Africa to reach its MDGs by then? They won the day but only marginally. In that light, the most important next step for Africa is to be able to hold the international community mutually accountable across the whole range of issues discussed in this chapter. Without this, the international community will certainly not do many of the things I have suggested as likely to happen, let alone what it should do – and Africa's development will not accelerate significantly in the 21st century.

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