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African Developments: Traditional Bilateral Donors at a Crossroads

2010 has been an important year for Africa. It marked the 50th anniversary of independence for 17 African countries and the 10th anniversary of the Millennium Declaration. It has also been around a decade since steps toward creating the AU und NEPAD were taken. In a series of DIE Briefing Papers, researchers from Europe and Africa look into African Developments a decade after the revival of the African Agenda to take stock and identify the challenges facing the continent in the years to come.

Summary

The diversifying donor landscape has captured the attention of the OECD-DAC policy community in recent years, with China, India, Brazil, and other so-called new donors assuming a more prominent place alongside traditional bilateral donors in Africa. Yet the activities of OECD-DAC bilateral donors remain significant: in 2008 these donors disbursed some US$30 billion to the continent. As they consider how to orient their future engagement with Africa, these donors face a series of challenges relating not only to upholding commitments to development financing and principles for effective aid delivery, but also to basic questions concerning the geographical allocation and rationale of aid. Debates on priorities reflect variations in the development prospects of African states themselves, given the coexistence of promising economies with conducive framework conditions and countries with persistently fragile institutions on the continent as one example.

Even as some DAC donors have achieved a higher degree of concentration of aid resources, the aid landscape remains fragmented. This fragmentation results partly from deficits among donors in coordinating their aid efforts and achieving a complementary division of labour. However, fragmentation also reflects shortcomings in the coherence in the development strategies of individual donors. Emerging bilateral aid priorities in Africa among the largest DAC donors signal the potential for the further proliferation of aid initiatives. New initiatives reflect the political priorities of donor governments, but also correspond to the agenda for African development articulated in the NEPAD process, emphasising agricultural development, investment in economic infrastructure, and greater involvement of the private sector. As the focus of development cooperation with Africa increasingly moves beyond the social sectors privileged in the last decade, traditional bilateral donors should work to improve the consistency of their development policies as follows:

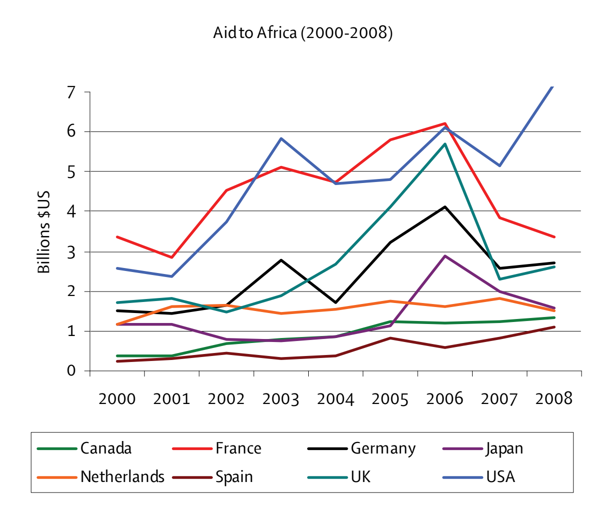
- Large bilateral donors need to articulate overarching strategies for global development and for engagement with Africa. The formulation of a strategy is necessary in order to define the relationship between thematic priorities in aid programmes and to identify how investments in different focal areas will be complementary.
- Donors should increase the priority attached to reforming governmental coordinating structures within their aid systems to encourage greater cooperation among governmental actors, as new thematic initiatives will likely add to coordination challenges and may complicate future reform efforts.
- Growing attention to agricultural production and private sector issues provides a renewed stimulus for donors to improve the coherence of trade, aid, and private investment policies and to strengthen support for African-driven efforts to stimulate private sector development and increase the capacity to trade.

General giving trends of leading bilaterals

The DAC community covers a wide spectrum in terms of the size and scope of engagement in African development. Among the largest donors, the most marked upward trend in giving in recent years has been in the US, with leading European donors reporting a sharp drop in aid to Africa since 2006 following major write-offs related to Nigerian debt relief. Japanese aid to Africa has followed a similar arc in the last decade, though it remains at a lower level, with funding spread widely around the continent.

While the United Kingdom and the US have met commitments to Africa made at the Gleneagles summit in 2005 to double assistance to the continent by 2010, in France, Germany, and Japan pledges to significantly increase aid to Africa remain unfulfilled. France and the UK concentrate more aid in Africa than other leading bilaterals, with France maintaining its status as the top European bilateral donor. Along with the government's goal of allocating two thirds of its aid to Africa, France's geographical priorities are maintained in the list of states in the 'priority solidarity zone', where 43 of the 54 states designated for concentrated engagement are African. Francophone African countries remain privileged as aid recipients, even as investment in Anglophone countries such as Ghana, Kenya, and South Africa has grown. In comparison to other leading European donors, the UK concentrates its aid almost exclusively in Sub-Saharan Africa, and the British aid programme has moved toward further country concentration in low income countries. The German government has set a goal of distributing half of its bilateral assistance to Africa, and 26 of 58 current German priority partner countries are African, with partners such as Egypt and South Africa considered especially important.

Figure 1: Trends in aid provision from leading DAC donors (2000–2008)



Source: OECD, International Development Statistics Online

Tensions in support for good performers and fragile states

The geographical allocation of DAC assistance is influenced by both the interests and priorities of donor countries and the qualities of aid recipients. As the demand for demonstrating the effectiveness of aid has grown, donors have sought to disburse increasing amounts of aid to countries where framework conditions are perceived to be more conducive to achieving development results, turning countries like Rwanda into 'aid darlings' and countries like the Central African Republic into 'aid orphans'. One transparent extension of this selectivity agenda has been the Millennium Challenge Corporation (MCC) in the US, established in 2004 and identifying candidates for multi-year funding Compacts on the basis of measures of commitments to good governance, economic freedom, and public investment, for which 12 African countries have qualified to date.[1]

At the same time that donors have emphasised the need for effective and efficient aid delivery, they have also turned attention to the complex of problems emanating from fragile states where governmental capacities to respond to the needs of their populations remain weak. The fragility agenda has special resonance in Africa, where the world's fragile states are heavily concentrated. Strengthening security in fragile states where high poverty rates prevail has been underlined in the most recent white papers from the UK's Department for International Development (DFID), for example, with the 2009 white paper stating a goal of allocating half of all new bilateral aid to these states.

While these investments are justified both by the size of poor populations living in fragile states and by their potential contribution to global peace and security, the more difficult framework conditions imply challenges in extending the principles of the aid effectiveness agenda to these contexts, given that the ability to administer aid according to Paris Declaration prescriptions varies as a function of partner country capacities. Although some elements of this agenda, such as the call for greater harmonisation and a better division of labour among donors remain relevant in fragile contexts, investing in these riskier environments complicates the effort to demonstrate value for money in aid provision. The efficiency tradeoff inherent in investing in fragile states must therefore be made explicit in donor strategies toward Africa in order to sustain long-term investments in situations of higher risk.

The proliferation of programmes and priorities

As Table 2 highlights, social sectors remain a priority for most leading DAC donors in Africa, with Japan providing a clear exception through its prioritisation of investments in economic infrastructure. In the health sector, a major source of additional funding in Africa in recent years has been the President's Emergency Plan for AIDS Relief (PEPFAR) in the US, which committed more than US $3.6 billion to 20 African countries in 2009 for HIV/AIDS prevention, treatment, and care. Like other vertical programmes, PEPFAR has been criticised for privileging the delivery of goods and services over efforts to build capacity in health systems within recipient countries, signalling its

1 Madagascar's military coup in 2009 provoked the first case of MCC Compact termination.

Table 1: Top ten African aid recipients from leading DAC donors (2008)

DAC Donors	France	Germany	Japan	United Kingdom	United States
Ethiopia	Mayotte	Botswana	Sudan	Tanzania	Sudan
Sudan	Congo, Rep.	Liberia	Morocco	Ethiopia	Ethiopia
Tanzania	Senegal	Egypt	Tanzania	Sudan	Egypt
Mozambique	Morocco	South Africa	Uganda	Mozambique	Kenya
Uganda	Tunisia	Cameroon	Ghana	DRC	South Africa
DRC	Burkina Faso	Ethiopia	Tunisia	Ghana	Nigeria
Egypt	Egypt	Morocco	DRC	Malawi	Uganda
Kenya	Togo	Tanzania	Ethiopia	South Africa	Liberia
South Africa	Algeria	Kenya	Zambia	Rwanda	Tanzania
Liberia	Cameroon	Mozambique	Mali	Sierra Leone	Somalia

Source: OECD international development statistics online, net disbursements

Table 2: Sectoral distribution of aid to Africa from DAC donors (2008)

	Social Infra-structure	Economic Infrastructure	Production Sectors	Commodities and GPA	Debt Relief	Humanitarian Aid
DAC	12417.2	3191.9	1432.0	2928.8	3176.3	4513.7
France	1652.9	344.5	151.4	492.7	897.0	10.2
Germany	1123.9	426.8	171.9	81.8	1362.3	131.8
Japan	509.4	702.0	168.2	216.5	22.9	134.3
UK	1200.3	414.9	63.6	690.3	16.9	360.0
USA	3528.9	449.1	225.9	427.0	369.9	2445.6

Source: OECD creditor reporting system, figures relate to gross disbursements, listed in millions $US

donor-driven quality. To counter this challenge, the programme will place added emphasis on strengthening partnerships with governments to support long-term health sector progress as it enters its second funding cycle as part of a broader Global Health Initiative. Major bilateral donors should acknowledge that the short-term political convenience of new initiatives such as PEPFAR due to issue-specific resource mobilisation may be countered by disadvantages such as limited responsiveness to recipient development needs and to the fragmentation they introduce in the organisation of development cooperation.

Although social sectors are still privileged, a common trend among leading bilateral donors in Africa is expanded emphasis on productive sectors and private sector development as a stimulus for economic growth, which is often linked to increased support for promoting greater agricultural productivity. In Japan, where the economic rationale for development cooperation has historically been strong, this emphasis is reflected in the commitment to infrastructure, SME development, increased use of information technologies, and expanded agricultural production in the agenda of the Tokyo International Conference for African Development (TICAD), a high-level forum for engagement between African and Asian leaders. In this context, the TICAD has also sought to promote the engagement of the Japanese private sector in Africa, with a facility for African investment created to leverage significant increases in Japanese foreign direct investment.

The interest in expanding the role of the private sector in African development is shared by other donors. The African agenda of the Agence Française de Développement (AFD), France's primary aid implementing agency, similarly emphasises wealth creation through support for SME development, investments in infrastructure, improvements in financial systems, and heightened agricultural productivity, underlining its perception of significant economic opportunities on the continent. In Germany, the new government has stressed its intention to strengthen business engagement in development while maintaining priorities in areas such as education and governance. The new coalition government in the UK has for its part announced its plan to promote pro-development trade deals such as the Pan-African Free Trade Area on its global development agenda.

The prioritisation of the agricultural sector is also rising in the United States. Feed the Future is a US aid initiative emerging from global economic summits in 2009, with the US promising to invest US$3.5 billion over three years to increase food security by supporting improvements in agricultural productivity. A response to the food crisis, this initiative will focus investments in 20 countries, 12 of which are African, promoting market development, trade expansion, and research-oriented initiatives, areas of emphasis that are consistent with priorities outlined in the framework of the Comprehensive African Agriculture Development Programme (CAADP), a key initiative under the umbrella of the New Partnership for African Development (NEPAD). Although rising donor interest in agriculture, trade and private investment reflect shifting preferences within donor governments, this orientation also represents an area of alignment with the NEPAD agenda. Against the backdrop of rapidly growing rural and urban populations and persistent food insecurity in many African countries, this alignment of donor and continental preferences is a welcome development.

Conclusions

Added emphasis on production, trade, and private sector development within the aid programmes of leading DAC donors in Africa does not necessarily imply that the social development agenda orienting aid efforts over the last decade will be abandoned. If bilateral donors uphold commitments to increasing aid to the continent, there is in theory room for increasing investments in multiple areas, and given the abundance of development needs across different sectors in the African context, it is easy for donors to prepare a long list of thematic priorities. However, as the number of priority areas for engagement expands, so too does a need for donors to articulate development strategies that explain how the priorities relate to one another and how investments across different thematic areas can be mutually reinforcing. Strategies guiding future engagement with African countries must clarify the expected development effects of investments in social sectors, agriculture, and private sector development and explain how the mix of investments will contribute together to the overarching objectives of increasing prosperity, reducing poverty, and fostering stability in the long term.

A proliferation of thematic priorities carries the potential to expand the number of actors involved in African development efforts. The fragile states agenda opens possibilities for defence ministries to assume more responsibility in development cooperation portfolios in accompanying peacebuilding efforts or security sector reform, for example, while the prioritisation of the agricultural sector creates entry points for governmental agencies involved in research promotion, science, technology and innovation.

Apart from the growing variety of governmental actors participating in development cooperation, shifting priorities also pave the way for private sector actors in donor countries to contribute more to Africa's development. The proliferation of actors within donor countries can be advantageous in terms of mobilising sector-specific knowledge, but also creates new coordination challenges.

Managing the increased engagement of this expanded set of actors requires that donors elevate the priority attached to devising coordination mechanisms within their aid systems that assign responsibilities for the oversight of the entirety of aid portfolios and encourage greater cross-governmental cooperation.

Renewed interest in productive sectors and private sector development underlines the demand for greater coherence across externally oriented policy fields. One key dimension of this is improving coherence between trade and aid policies, which includes strengthening the development orientation of trade and investment policies to ensure that African producers can adjust to the competitive environment brought on by free trade agreements and providing resources to attract investment while building up national and regional capacities to trade. Calling for trade and aid policies to be more consistent is by no means a new appeal, however donors should recommit themselves to viewing trade and aid through a common pro-development lens in order to address longstanding deficits in this area. Alternatively, donors may be tempted to view the increased salience of production and trade in development cooperation through the lens of export promotion, with emphasis attached to the role of private sector actors on the donor side as beneficiaries. This tendency should be tempered by an awareness of the mutual benefit that can accrue to actors on both sides of the aid relationship by building and strengthening partnerships with African private sector actors. As their development agendas expand, leading bilateral donors should thus extend their engagement with African business communities in addition to mobilising support for development from domestic business constituencies.

Literature

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