Southern African Civil Society Consultation on the Commission for Africa Report
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Report by the Expert Group on Financial Flows: Trade, Aid & Debt

Introduction

The group began its deliberations by noting that the issue of financial flows related to aid, trade and debt is contentious and sensitive. In view of this it was agreed that a pragmatic approach should be adopted when addressing whether the report recommendations succinctly captures the concerns of civil society. This, the group felt would be less confrontational and offer a critical space for determining how the recommendations of the report can be translated into doable and effective actions.

Considering the above, the analytical framework applied in discussing the recommendations on Financial Flows, Trade, Aid and Debt, was linked to how the strategies around poverty reduction and alleviation can be strengthened and enhanced. Moreover the group agreed that the interventions that emerge from the discussion should be aligned to Chapter 10 of the Report entitled 'Making it Happen' so that a more nuanced and substantive contribution can be made.

AID: Reform, Effectiveness, and Conditionalities

The group agreed with the assessment made by the report that aid is critical to Africa's development and noted that the overall recommendations made in this context were a useful reference point. However it was felt that while these recommendations provided a broad framework for what needs to be done, the actual practical implementation still remained vague with very little detail being offered on how these recommendations are going to become effective actions on the part of the development partners and African governments. In this regard the group decided it would be appropriate to examine and, where applicable, add more substance to some of the recommendations with the hope that this would lead to a more effective trilateral partnerships between civil society organizations, African governments and the Blair administration. In this way ensuring that the process becomes transparent and efficient in achieving the overall goals of the report.

1. Improving the quality and disbursement of Aid

It was agreed that the process and quality of aid disbursements has generally being controversial. With a lack of an effective monitoring system outlining how aid money is being spent by recipient governments and whether donors pursue a unilateral approach to aid disbursements based on preferentialism which marginalize certain countries in favour of others, the following discussion points were raised:

- Must be realistic that aid is apolitical, which means that wherever possible the monitoring of aid effectiveness requires a succinct and strategic intervention.
- Must be clear about who the beneficiaries of aid are.
- Ensure that the technical capacity building linked to aid effectiveness is not tied to flows back to the developed countries.
- Emphased the need for mechanisms to be in place in order to ensure that the international partners remain committed or actually outlay their proportion of

the US$75 billion that the report assigns as the monetary value attached in making the process doable.

- Noted that aid effectiveness is intimately linked to the issue of governance and related policy making decisions in the developed economies as well as by recipient countries.
- Aid disbursements to African governments, especially those that are aid dependent must be made more transparent and in turn these governments must be held accountable in how the money is being used.
- Developing a monitoring system that ensures aid effectiveness is critical but determining who is responsible for implementing it must be clearly defined.
- More clarity is needed to determine whether the commits made on the part of the development partners of 0.7% of GDP for Aid and debt cancellation are not seen as a double burden by these governments which may undermine the overall the aim of aid reform and effectiveness as outlined in the report.
- Greater need for synergizing the idealism of what the report recommends in respect of aid effectiveness with what happens on the ground.
- Can more effective aid be disbursed through the logic of the current international paradigm or should the dialogue also address a new logic and framework for disbursing aid?
- African governments and civil society organizations must become more involved in developing an African perspective on Aid effectiveness and designing a specific proposal that will determine the efficacy of aid disbursements. This will strengthen Africa's ownership of the process and preclude the donors from shaping and influencing the process.
- Aid should be unconditional in that African governments must determine how the money will be spent and in which priority sectors.
- Aid should not be tied or located in particular frameworks like the PRSPs, MDGs, which tend to have a particular time frameworks and be prescriptive. Instead aid effectiveness should be linked to long-term sustainability.
- Is aid in the form of grants more effective than other types of disbursements?
- The monitoring of aid should also include the private sector which often operates outside of the official channels of government.
- What absorptive capacity exists for aid disbursements?

2. Some critical interventions:

It was noted that the following interventions can improve and reform the implementation process on aid effectiveness:

- The development of a coherent monitoring, evaluation and transparency framework that will assess the efficacy and effectiveness of how aid transfers is being spent, and who the beneficiaries are i.e. whether it is reaching the grass root communities.
- The development of the monitoring and evaluation framework must be based on mutual accountability as well as complement, strengthen and be aligned to the process underway between OECD and NEPAD.
- African governments in consultation with civil society organizations and other non-state actors should develop an Internal framework on Governance Indicators that audits the nature of Aid related disbursement and expenditure, especially in the form of grants.

- Noted that the internal governance indicators will demonstrate Africa's shift towards addressing some of the policy gaps and weaknesses that constrains aid effective policy implementation as well as provide a platform for corruption and graft activities to be addressed.
- The internal governance indicators framework will strengthen African ownership of the process and demonstrate an African perspective on Aid effectiveness and should be supported by the British governments in terms of 'Making it Happen'.
- Agreed that the implementation of the internal governance framework should fall within the ambit of civil society organizations but in partnership with African governments as well as civil society actors in the developed countries who can monitor the aid policy of their governments.
- Agreed that for the monitoring and evaluation framework to have a meaningful impact, the governance process that underpins aid disbursements must also be audited on both sides i.e. from donors to recipient countries.

TRADE

It was noted by the group that of all the issues linked to financial flows the terms of arrangements linked to trade exchanges has explicit and implicit barriers that tend to obscure African governments from being effective and equal partners in trading arrangements. The reasons for this were many but the overarching focal point had to do with side supply constraints, institutional weaknesses, differences in resource mobilization strategies and engaging in an international system where the logic of the paradigm creates winners and losers.

Moreover it was agreed that while the report expansively captures and problematises the symptoms negatively affecting Africa's terms of trade in the global economy, the weakness of the trade recommendations were that it tended to prescribe interventions that did not reflect any shift in thinking around the economic paradigm of the global landscape. This, the group felt was the real cause of Africa's economic underdevelopment. As a result the group noted that this was disarming because the nature of the liberal ideological structure of the global trade regime and the rules based system underscored Africa's weak development trajectory as well as emasculated the capacity of Africa to negotiate as an equal partner in trade deliberations at the multilateral level and from investing in substantive social welfare policies at the local level. Moreover there was a general consensus amongst the group that there should be a shift in thinking around the discourse and paradigm that underscores the global economic policy if a fairer trading regime is to underpin the success of the CFA recommendations made in this regard. Clearly the group felt that any recommendations around enhancing the trade facilitation of Africa should also include some form of strategies on reforming the trade policies that govern the international trading environment within which Africa competes.

On the other hand, the group agreed with the report's recommendation that the internal trading environment also needs to be reformed in order to facilitate greater intra regional trade. In this regard, the group felt that even though internal supply side constraints must addressed in tandem with what happens at the multilateral level, it must be recognized that capacity constraints and supply side weaknesses have divergent outcomes at the international, regional and sub-regional levels. So it was agreed that contextualizing the various impacts at the different levels should be given critical importance and that improving the terms of engagement in trade agreements should not only be directed at the multilateral level.

Some of the other discussion points included:

General

- A critical investigation into whether the internal supply side constraints in African countries are more profound than those often cited as the barriers and/or constraints in the US and EU markets that undermines Africa from competing effectively or enjoying the benefits of the international trade regime. In other words if trade barriers and other external supply side constraints were removed from the US and EU markets would African economies be able to optimize the full value afforded by the lifting of these trade benefits or are the trade constraints much broader than this.
- African countries must maximize the benefits of the trade and market access preferences that they enjoy with blocs like the EU.
- The need to conclude the Doha Development Round is critical but anlaysing Africa's role in this process and how Africa can reap the benefits of its successful conclusion needs to be clearly understood.
- It was critical that civil society organizations working in the area of trade and its associated impact engage seriously with the recommendations of the report and incorporate it into their advocacy for a fairer global trade regime and practice.

Domestic Supply Side Constraints: Infrastructure

- It was noted that a major internal supply side constraint was the lack of or almost absent attention towards developing intra-infrastructure both by African governments and by donors which needed urgent attention.
- Agreed that the report's recommendations towards investing, developing and strengthening Africa's infrastructure capacity was a critical intervention that donors needed to recognise as underpinning Africa's capability to reap the benefits of effective trade facilitation and attract more foreign direct investment.
- Agreed that the report's recommendations of proposing how the money disbursed for infrastructural project will be managed would be better administered through a consortium because this will encourage and allow for greater access by continental financial agencies like the Industrial Development Bank (SA) and the Development Bank of Southern Africa (DBSA) to advance their involvement in undertaking infrastructure projects in Africa.
- Linked to the issue of financing for infrastructure, the group also noted that while it was important to advance investments in infrastructural projects, the quality of the infrastructure should not be compromised. In this regard the group felt that because Africa's infrastructure deficit was a worrying sign, Africa should not compromise on the quality of the infrastructural development in favour of quantity. In this respect the group felt that putting in place some form of quality control mechanism will preclude internal and outside investors from using infrastructural projects as a way of making money and enhance the long-term sustainability of Africa's infrastructure.
- Noted that alignment to the 20 infrastructural projects identified by NEPAD as priority areas was a critical way forward.

Trade Agreements

- Noted with concern that agreements like EPA's are being negotiated at the regional level with certain countries like South Africa being excluded from particular regional configurations like the SACU bloc. The group felt that this practice would continue to remain a contentious point, undermine future trade agreements and more importantly jettison the prospects of effective regional integration. In this regard the group felt that this technical paucity required a formal response.
- Agreed that the contentious issues around trade practice are not going to be resolved at the upcoming G8 meeting in Gleneagles but rather at the WTO which regulates the rules based international trading system. In this regard it was felt that added momentum and pressure should be harnessed by civil society for the completion of the Doha Development Round.
- Emphasised that relegating trade negotiations to the multilateral level is dangerous because there are different configuration and contextualization of issues that influence deliberations at the multilateral level.
- Need for greater awareness regarding the impact of the liberalization of the services industry particularly in respect of the Singapore Issues on Africa's trade competition strategy. The group noted with concern that these issues introduces new actors in the African markets for procurement opportunities whose impact on the domestic market can sometimes exclude local suppliers as well as compromise the advancement of developing local capacity.
- Trade distorting subsidies and the issue of agricultural subsidies were also seen as another measure which tends to create bottlenecks in the domestic market environment and precludes African countries from competing effectively in the global economy.
- The group agreed that in enhancing Africa's internal and external trade capacity, special attention also had to be given to harmonising the rules of origins (ROO).
- The group made the following comments regarding strengthening Africa's trade capacity:

1. Noted that there is funding available from developed countries to enhance capacity but can this funding be operationalised objectively without having the donors determining how and in what areas trade capacity should be developed and whose capacity modality should be adopted. In other words caution was raised around the politics of who is a good negotiator and how these negotiators advance the needs of the different countries around trade policy at the multilateral level.

2. Emphasised the need for a transparency and accountability model to be developed around how the money earmarked for capacity building is spent on outside consultants engaging in such initiatives. Linked to this the group felt that a monitoring and evaluation mechanism must be set up to assess the impact the technical capacity and development transfer being provided by these external consultants is developing internal capacity.

3. Noted that the capacity in various countries is not necessarily the same for other countries. In some respects the capacity of one country can differ from

that of another and so on. Therefore maybe it is imperative that Africa develop a well planned and consistent policy around trade capacity and negotiations which promotes the development of African trade negotiator who advances the African consensus agenda at the multilateral level. Such a negotiator must be a like-minded person who negotiates on behalf of Africa like a Pascal Lamy. At the same time, however, the group cautioned there contradictions with regard to self inflicted interests and issues. How this tension should be addressed is vital. A possible intervention will be to see Africa not as a homogenous bloc but rather comprising of competing interests at the regional and sub-regional levels. Nevertheless in terms of supra continental macroeconomic concerns that circumscribes Africa from enjoying the benefits of the global economy like trade distorting subsidies, depressed commodity prices, conditional debt cancellation, it was noted that advancing an African common position in this regard will create an ideal platform for a consensus approach on addressing some of the more immediate macroeconomic concerns. The group also noted that drawing on the experiences of other trading blocs where divergent interests exists will be useful to distill.

4. Developing trade capacity must also reflect and include the issue of enhancing the capacity to negotiate in trade agreements. One possible way of addressing this dearth would be to explore the opportunity of engaging with trade consultants from Latin America and Asia countries where these consultants have garnered the capacity to prepare the trade policy with the necessary technical inputs. Such advancements may help to harness the technical transfer of skills and experiences which can be used to develop an overall trade strategy.

Non-tariff barrier issues

- The group agreed that the report showed sensitivity regarding Africa's special needs by providing for transitional support around trade related issues.
- It was emphasized that the focal point of such transitional support must be linked to specific targets, like gradually meeting the Sanitary and Phytosanitary standards outlined at the multilateral level and the impact this has at the local level.
- Of critical importance the group noted was the need for impact assessment studies that illuminates greater understanding and awareness of how such technical barriers to trade distort market access for African countries in penetrating the economies of developed countries.
- Noted that private standards are sometimes applied by supermarkets when exporting commodities and products to overseas markets, and these are not enforced by governments. In this regard it was agreed that all standards must be harmonized in order to avoid duplicity and unfair barriers to trade.

Foreign Direct Investment

- The group felt that the role of foreign direct investment and its impact on domestic environments need to be critically assessed.
- It was agreed that FDI must be harnessed in such a way that enables sustained investments in sectors that contributes to employment creation, export diversification, valued added manufacture and other downstream effects.

- Need to guard against volatile short-term FDI projects that obscure development in the economy and instead create projects that are White Elephants in the long-term e.g. the Zambian Copper Mines.
- Emphasised that the way FDI is disbursed must also be aligned to a shift in the international paradigm on aid effectiveness.

Private Sector

- The group emphasised that defining who the private sector is in Africa will have important linkages to who the FDI beneficiaries are.
- There was a greater need for domestic resource mobilization, which also include the peasants whose economic activities at the local level have made critical contributions towards enhancing development at grass root structures.
- It was noted that the introduction of trade liberalization and its impact on the domestic market impinged and uprooted the basic livelihoods of communities at the local level. Therefore there was an urgent need to redress this issue by redirecting some of the resources towards the empowerment of local communities engaged in such economic activity.

DEBT

- Noted that the issue of debt cancellation was not apolitical and that the recommendations of 100% debt cancellation tend to imply that the way the money is used or how it is prioritized is aligned to certain sectors like health, education and infrastructure, which, in turn, are linked to MDGs, PRSPs, peer review under NEPAD, country strategy papers. Therefore there was an urgent need for unconditional debt cancellation to be advanced.
- The group stressed that the development of an internal governance indicators framework is important in ensuring that financial resources gained through debt cancellation initiatives is being invested in other critical areas like empowerment of local communities and the development of internal trade capabilities that fall outside of the ambit of the MDGs or PRSPs framework.
- The development of an effective monitoring and evaluating strategy linked to effective investment of resources gained through debt cancellation will enhance African ownership.
- Agreed that while debt relief was critical to Africa's long-term development, it would seem that a disjuncture exists between what the report says as possible interventions and what is being done on the ground. Clearly what needs to happen for debt relief and aid effectiveness to take place is not happening in practice.
- Concern was noted that what is ostensibly achievable but how is it doable is not clearly spelt out in the report, especially as regards debt relief.
- The issue of consensus around 100% debt cancellation amongst the developed countries, including Britain was highlighted because there appears to be varying degrees of commitment around debt cancellation, reduction, and relief amongst the different creditor nations e.g. the Scandinavian countries pushing for greater commitment around debt relief strategies while some western European countries sticking to partial debt relief strategies. Questions were raised about how the report was going to harmonise the different levels of commitments around debt cancellation.
- Clearly the focus of the report is about illuminating the push towards 100% debt cancellation.

Some General Points made about the Report

- It was noted that while the report acknowledges the radical criticisms of the current development paradigm made by certain civil society organizations, the framework within which the recommendations are made are still vague and conservative and does not represent a policy shift from previous interventions like Structural Adjustment Programs.
- A stark omission in the report is that it does not stipulate a clear programme of action around how to make all the recommendations happen.
- For a monitoring mechanism to be effective there must be a terms of reference which broadly defines what needs to be monitored and how the outcomes can influence policy shifts in bringing about effective and sustainable benefits for Africa's development.
- Clearly there is a need for a monitoring mechanism to be established around the implementation of the recommendation.

Overall Interventions and Commitments for Civil Society Organisations to pursue in strengthening the recommendations of the Report

- Optimise the space through the CFA to forge unity amongst civil society actors when dealing with the issues of agricultural subsidies and the right to invoke the protection of sensitive products. This space must be utilized as a critical platform to address how disagreements around sensitive issues can be effectively resolved and filtered back to the developed countries, particularly towards pushing a common position around an Africa consensus agenda.
- The report and the recommendations made must be seen and where possible used as a tool for engagement to advance the debate on further policy engagement and actions in terms of reforming the agenda of the United Nations, IMF and World Bank.
- The objectives of the CFA clearly provide a platform to use the British presidency of the G8 and the EU as important spaces for critical engagements by civil society to advance the policy interventions around NEPAD, AU, The 'Make Poverty History' Concert.
- Noted that such platforms also offer tangible benefits for civil society networks in Africa to permeate their concerns into civil society networks in developed countries like Christian Aid etc who can advance the policy debate from their side for more effective development partnerships to be harnessed.
- The onus is on the civil society sector through their outreach in various networks to publicise and familiarise the content of the report in the public domain. This means utilizing and employing the services of organizations like Tralac in assessing the impact of the CFA recommendations on Africa's development path.
- Noted that while report has good intentions in reversing Africa's poor development performance it remains opaque on how this is going to be achieved and what is actionable. Therefore this opens a space and opportunity for civil society actors to become more critically involved in shaping and influencing how the recommendations can be translated into doable actions.

Group participants

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