ASSESSING RESOURCE MOBILIZATION AND MANAGEMENT STRATEGIES FOR MDGs IN SADC

“*Will the legacy of our generation be more than a series of broken promises”-Nelson Mandela, 2001*[1]

(Paper presented at the Round table Policy Dialogue organized by the Economic Dimensions Programme of SARPN, 27 June 2007, Johannesburg, South Africa)

By Charles MUTASA

Introduction

Some seven years from the Millennium Declaration we are faced with the inevitable need to reassess the current levels of poverty, the instruments that are in place for tackling poverty and indeed the constraints that must be resolved both in SADC and elsewhere. The fact that the Millennium Development Goals (MDGs) represent an unprecedented commitment by all nations and institutions, including the International monetary Fund (IMF) and the World Bank, to implement and realize the MDG goals and targets needs to continue to be emphasized at all stages. Part of the global ability to realize the MDGs is dependent on financing of such development. Aside being affirmed as part of Goal Eight in the MDGs such understanding has also been reaffirmed in the 2002 Monterrey consensus on enhancing financing for development.

The Paris Declaration and MDGs

The purpose of the 2005 Paris declaration on Aid effectiveness is to improve aid delivery in a way that best supports the achievement of the Millennium Development Goals by 2015. It highlighted the importance of predictable, well aligned, programmed, and coordinated aid to achieve results[2].

The declaration is an action-orientated roadmap for aid reform built around five main themes with corresponding objectives. The themes are *ownership* (partner countries should exercise leadership over their development policies, strategies and coordinate development action); *alignment* (donors should support partner countries’ national development strategies, institutions and procedures); *harmonization* (donors should be more harmonized and transparent); *managing for results* (managing resources and improving decision making for results); and *mutual accountability*(donors and partners are accountable for development results) .

---

[1] UNDP(2002) The Millennium Goals in Africa-Promises and Progress” Report prepared by UNDP and UNICEF for G8 Personal Representatives for Africa, June 2002, New York

[2] See also the full document, “Paris Declaration on Aid Effectiveness, Ownership, Harmonization, Alignment, Results and Mutual Accountability” on www.oecd.org

The declaration is an international agreement of 22 donors and 57 partner-country governments marks a significant set of commitments to improve aid effectiveness for the stated purpose of accelerating the achievements of the 2015 MDGs and reducing poverty and inequality. SADC countries in line with this declaration have also proposed the Windhoek Declaration which calls for effective structures for dialogue, improved alignment and harmonization and proposes some key areas of cooperation within the region though with some lines on it with bilateral country programming. Nevertheless, SADC still needs to ensure greater coherence between the RISDP/SIPO and national development priorities. The capacity to absorb donor funds and implement projects in SADC is very limited considering their weak secretariat.

The MDGs include a 50% reduction in poverty and hunger, universal primary education, reduction of child mortality by two-thirds, cutbacks in maternal mortality by three-quarters, promotion of gender equality, and reversal of the spread of HIV/AIDS, malaria and other diseases. A Millennium Summit of 189 world leaders in September 2000 pledged to meet all of these goals by 2015. A summit later this year will review progress towards the goals and set the development agenda for the next decade.
Of particular importance to this paper is Goal Eight outlining Northern governments' commitment to a global partnership for development - a late addition to the MDGs- If Goal eight is ignored it is hard to imagine the poorest countries achieving Goal 1-7. Goal Eight relates to issues of – debt cancellation, trade justice, equitable governance in global institutions, and political, social and economic rights for the poor – as an indispensable foundation for a politics that will enable sustained progress to end poverty in the South. It is an important goal for holding developed countries accountable in advancing the MDGs. This goal is particularly significant, as it requires richer countries to reform their policies and actions to contribute to the fight against poverty

Ownership referred to within the Paris declaration is problematic as donor imposed policy conditions and benchmarks are the most important barriers to ownership as they undermine the space for locally-determined policy options for development and poverty reduction. Without significant reform of the World Bank and the IMF, donors will fail to take into account the value of local knowledge and of locally determined appropriate policies that may contradict current 'wisdom' in these institutions. Mutual accountability in the context of highly unequal power between donors and recipients requires commitment to fundamental reform of the international financial institutions. Otherwise developing countries continue to have no say on IMF and World Bank priorities and their development policy blue prints.

In practice donors project local ownership most easily into the PRSPs, yet these though regarded as national development strategies are not actually seen to be nationally owned and participatory. In Zambia for instance, getting another national development plan apart from the inadequate PRSP is something the government has acknowledged. PRSPs could have engaged a wide spectrum of stakeholders but the acceptance of their input into strategies for different sectors was limited and discussions on the macroeconomic framework that affect the viability of these strategies remained off-limits. In essence, the PRSPs were assumed by both the ministries of finance and IFIs to help better target government expenditure, but not necessarily to offer new insights into macroeconomic policy especially monetary and fiscal policies.

Nevertheless, the Paris declaration is an important initiative to reform aid practices and attain the MDGs, which if implemented will contribute to more effective aid delivery to partner governments in the South. However, reform will be incomplete and limited in its impact on poverty if donors do not improve their relationships within the framework of international human rights law, which requires attention to the impact of their efforts on the ability of the poor to claim their rights.

Challenges to resource mobilization

In SADC donors who have been frustrated by SADC's lack of absorptive capacity have reduced financial support and relied on other channels for assisting regional cooperation. One of which is relying much on South African based institutions through bilateral country programmes. SADC's lack harmonization of its arrangements for planning, funding, disbursement, monitoring, evaluation and reporting is a setback to attaining the MDGs and sustainable development in general. Donors are said to have through UNDP established a cooperation mechanism in the water sector through which they are providing technical and financial support. In the area of HIV/AIDS there is no coordination mechanism[3]. This generally weakens aid effectiveness

Historically and globally, the macro-economic philosophies and aid modalities adopted in most countries of the South have not delivered the promised dividends. International financial institutions and donors have been consistently criticized for using aid to further their own interests. The current patterns of accountability in which donor agencies hold recipients accountable, and are in turn accountable to their own taxpayers must change. Donors continue to use unfair, undemocratic and inappropriate policy conditionality, in a way that skews recipient accountability away from the citizens of poor countries. The civic society message has been loud and clear-that is- 'one-way' accountability should be replaced by a system of genuine mutual accountability, which balances the legitimate interests of donors, recipients and, most importantly, poor people. In this regard, civil society continues to monitor whether international financial institutions and donors use aid for their own purposes or for primarily reducing poverty and promoting development.

Donors are not accountable to recipient governments, and neither donors nor recipients are really accountable to poor people. This lack of 'downward' accountability contrasts sharply with donors' excessive demands for 'upward' accountability. Donors have made numerous pledges to improve both aid quality and quantity over the past three decades. Yet these commitments have rarely been fully implemented, and in too many cases remain shamefully neglected. Similarly the lack of progress towards meeting donor commitments on aid quality is matched by donors' reluctance to be held accountable for results. Some donors have also rejected accountability mechanisms at the country level. In Tanzania, for example, key bilateral agencies prevented the naming of individual

[3] Tjonneland.E.N. (2006) SADC and Donors-Ideals and Practices- From Gaborone to Paris and Back. Report1 FORPISA, Botswana.

donors by an independent monitoring team reporting to the World Bank Consultative Group meeting.[4] .

Civil Society organizations note that aid packages often come with strings attached which mars progress towards the Millennium Development Goals in poor countries. Much of aid and loans from provided by the IMF and the World Bank is conditioned on recipient governments opening markets, liberalizing trade, privatization or deregulation. Such conditions have often included cuts to health and education and requirements that citizens pay for these services. In the spirit of policy dialogue, accountability and partnership, civil society has called upon donor countries and international financial institutions to abandon such practices in favour of promoting ownership and increased aid effectiveness[5]. The logic is that externally set criteria makes it difficult for Southern governments to be accountable to their own people, they become more externally accountable, diminishing national dialogue and ability to determine policy on basis of local needs and the needs of the poor. Suggestions have been made to have new approaches to aid delivery such as program based approaches (PBAs), sector wide approaches (SWAPs) and direct budget support as opposed to project support which is difficult to track and ensure accountability.

Global Sources of Resource Mobilization

While a more equitable trade system is vital, donor Official Development Assistance (ODA), along with substantial debt cancellation provides the essential additional financing capacities, particularly for the poorest countries' progress in reducing and eliminating poverty.

The multilateral debt relief (MDRI) of 2005 by the G8 has to a large extent benefited a number of SADC countries. Mozambique has doubled its education expenditure. Immediate increases in training and recruitment for teachers have been seen in Malawi, Mozambique, Tanzania, and Zambia. However, these are not enough to meet the MDGs. Tanzania for example is poise to do better only in improving education and gender equality and likely to fail in all the other MDGs. Sadly, Zimbabwe with its political crisis and economic doldrums remains a scare to SADC conscience. In Malawi he increase in primary and secondary school enrolments has not been matched with a commensurate expansion in resources. As a result, classroom accommodation is inadequate, with many primary school pupils having to learn under trees. Secondary schools have resorted to shifts, which puts an extra burden on teachers. Boarding accommodation in secondary schools is also inadequate.[6].

There is little hope for most countries including South Africa of balancing their accounts by attracting steady inflows of Foreign Direct Investment (FDI). The most damning critique of FDI is that no matter how conditions improve, foreign investors have a whimsical and

---

[4] Helleiner, G. 2001. 'Local Ownership and Donor Performance Monitoring: New Aid Relationships in Tanzania?'

[5] www.realityofaid.org/roa2004/2004report.htm

[6] Chipeta Chinyamata (2005) The Politics of the MDGs. The Case of Malawi, Research Report presented to AFRODAD, 2005.

Table 1; Aid in 2006: where it was and where it should have been by now

Actual ODA	2006 ODA		Aid gap
2006 less debt relief in 2004$m		**Less debt relief assuming constant % increase to 2010**	
Canada	2,892	2,853	-39
France	6,628	8,571	1,943
Germany	7,448	9,102	1,654
Italy	1,954	3,739	1,785
Japan	8,937	9,615	678
UK	8,673	9,009	336
US	20,015	20,700	684
Totals	**56,548**	**64,388**	**7,840**

Source: Oxfam GB 2007

Afro-pessimistic perspective, and are unreliable partners. South African president Thabo Mbeki made the following comments;

> *In our own country, we have been assured that our economic fundamentals are correct and sound. We have developed a stable and effective financial and fiscal system. We have reduced tariffs to levels that are comparable to the advanced industrial countries. We have reformed agriculture to make it the least subsidized of all the major agricultural trading nations. We have restructured our public sector through privatization, strategic partners and regulation… Yet, the flow of investment into South Africa has not met our expectations while the levels of poverty and unemployment remain high.*[7]

MDGs will be difficult to attain for debt-sustaining countries (especially those on SADC) surviving on exports of raw cashew nuts, coffee, tea, cotton, while importing everything else in the form of industrial goods from abroad, using the foreign exchange earned from primary exports.

Aid has a critical role to play in the attainment of the Millennium Development Goals in many developing countries, especially when it is deployed effectively in an accountable manner as part of a wider development strategy; it makes a lasting difference in helping people to lift themselves out of poverty. The volatility of aid flows can result in financial instability and hinder stable macroeconomic development.

[7] Mbeki, T. (2000), 'Address to the Commonwealth Club, World Affairs Council and US/SA Business Council Conference,' San Francisco, 24 May.

Shockingly, instead of G8 aid to poor countries rising, it fell in 2006 for the first time since 1997, though it is higher than in 2004. At the G8 in Gleneagles in 2005, rich countries promised to have increased annual aid levels by $50bn by 2010. Instead, based on the actual trend since these promises were made, Oxfam calculates that the G8 could miss this target by a staggering $30bn. The price of this broken promise? Based on figures from UNAIDS and the World Health Organization (WHO), Oxfam has calculated that if this money were available for vital health interventions for mothers, children, and those suffering from HIV and AIDS, it could save at least five million lives[8].

Taxation and other alternatives of financing development

Mobilizing additional finance to meet the challenges of the MDGs is an urgent priority. Two powerful and divergent forces seem to grip the world at present. One is the understanding that the global economy needs the effectiveness of existing global institutions and the other is the proposals that global taxation will usher in the much needed new resource flows to attain the MDGs. There are interesting proposals for revenue sources such as environmental tax/carbon tax, a global lottery or the UK proposed International Finance Facility (IFF).

The proposal for a Tobin tax has been on the table for more than 30years and much debate has revolved around the technical feasibility of such. The Tobin tax which is a small tax on foreign exchange transactions is expected to benefit development by increasing monetary autonomy, greater exchange rate stability, and sizeable revenues to fund development and environmental protections. Civil society has supported the call for Tobin tax as a check on highly mobile and destructive capital flows. However, its final distributional effects and the impact on real transactions are hard to predict. Getting this proposal to take off requires the agreement of many developed countries including the US. Implementing it in the Euro-zone alone may not realize the impact of such taxation.

On the other hand, taxing the air transportation of passengers and cargo is expected to reduce environmental and noise pollution. It is also hoped that it will reverse the current exemption of international aviation from environmental responsibilities. It could also raise (limited) resources for global public goods. This tax is said that it ensures that those who create polluting emissions bear the cost of their actions. The main advantage of this proposal is that it could reduce emissions in a sector expected to expand. Nevertheless, this proposal needs to be developed further. There is debate concerning the design of the tax. The big questions been asked are -will both passenger tickets and airfreight be taxed or only passenger tickets? What will the tax rate be? How will the levy be collected and used?

There has been serious opposition to air transport tax . For instance, the International Air Transport Association (IATA) urged governments to reject French President Chirac's proposal for a global tax on aviation to fund development. "Airlines make a massive contribution to development by bringing tourists to destinations and transporting goods to

[8] Oxfam Briefing Paper No. 103, "The World Is still Waiting: Broken G8 Promises are costing Millions of Lives, Oxfam International.

markets. Making air transport more expensive is akin to biting the very hand that feeds development,"[9]

Imposing taxes on the industry is criticized for overburdening the sector and thus limiting its contribution to development. The African Union is also said to have urged its member states to oppose the imposition of taxes that would add to the cost of air transport and that would drain away the income of the sector towards other activities.

Therefore, it is simply illusionary to suppose that simply adopting an alternative funding route to MDGs or development financing avoids all cost. There are good reasons to expect that new taxes will be passed on to the final users. Part of the burden-even in the case of Tobin tax may fall on developing countries-for instance if the tax reduces the effective flow of remittances from emigrants. There are serious barriers to the enactment of the new proposals that one needs to really interrogate.

Domestic Resource Mobilization

Domestic resource mobilization has two dimensions, both important to achieving the MDGs. The first is building the *domestic financial system* (the banking and insurance sector as well as the market for equities and public and private debt). The second is increasing government *revenue mobilization*.[10]The need for African countries to mobilize domestic resources as a medium- to long-term goal is now widely accepted. While savings performance varies between countries, African countries have lower savings and investment rates than other less developed countries. Thus, policies to promote savings have a central role to play in driving growth via investment and reducing aid dependency in SSA, particularly in the face of the anticipated global reduction in aid.

Taxes are a principal means of public domestic resource mobilization, but the need for revenue must be balanced against the possible adverse effects of particular taxes and the whole tax structure on relative prices and incentives, which may give inappropriate price signals. Broadly, tax reforms should aim at broadening the tax base, raising tax elasticity with respect to economic growth, reducing exemptions, and simplifying tax administration. The introduction of VAT in a number of developing countries has been successful in raising more revenue. But it is important to complement the VAT with either exemptions and/or excise duties to make it less regressive, thereby reducing the burden on poorer households. Broadening the VAT base should be a low priority and should be implemented only in those countries where the net fiscal incidence (i.e. the net impact of taxation and public spending taken together) is favourable to the poor.

---

[9] Giovanni Bisignani (2006) IATA Urges Rejection of French Proposal for Aviation Tax to Fund Development, 28 February 2006, see http://www.iata.org/pressroom/pr/2006-02-28-02

[10] Addison .T. & Mavrotas.G. (2004) Foreign Direct Investment, Innovative Sources of Development Finance and Domestic Resource Mobilization; Paper presented to Track II, *Global Economic Agenda*, *Helsinki Process on Globalization and Democracy; WIDER, Finland.*

Improving the collection of direct taxes is also important, and the emphasis should be on reducing tax evasion. Governments also have to recognize that weaknesses in budgetary and expenditure management systems will undermine the potential economic and political returns on investment in the revenue services. Fourth, institutional components have been biased towards organization, IT-related procedures and manpower upgrading, with insufficient attention to accountability and anti-corruption institution building and cost effectiveness of administration.

Domestic resource mobilization has not been systematically addressed in African countries. Workers´ remittances, a major external financial resource, largely bypass the banking system and are mostly channeled into consumption. There have been no concerted efforts to tap resources from the large informal sector. Furthermore, there is scope for providing resources to the domestic entrepreneurial class through policy reforms to reverse flight of capital.[11]

Innovative, flexible and targeted savings instruments, savings schemes and savings mechanisms appropriate to different segments of the population should be promoted. The monetization of a broader range of economic activities and transactions would facilitate financial savings. Learning from each others, "best practices" not only in terms of effective utilization of aid, but also in other areas such as attracting private investment and promoting labour intensive manufacturing is key and essential. The liberalization of interest rates would increase savings and the supply of investible resources in the economy.

Conclusion

It is often said that global targets are easily set but seldom met and for each success story there have been some setbacks, the same is also true for the Millennium Development Goals. The, implementation of MDGs still requires substantial, new and additional resources from both domestic and external sources. Strong commitments are required from governments to increase domestic resource mobilization, uphold the principle of rule of law and good governance, intensify the fight against corruption and put in place conducive environment to improve effectiveness of aid and attract investments.

The absence of radical reforms on the part of developed countries, beyond delivering more aid, an exclusive emphasis on MDG targets potentially sets up poor people and poor countries to take the blame once again for “their failure” to achieve the unachievable. The emphasis should not be on whether a given country is failing or not to meet a given target. Rather, global action and national policy change should be based on

[11] Maimbo, S. and Mavrotas, G. (2004), “Saving Mobilization in Zambia: The Role of Financial Sector Reforms”, *Savings and Development Quarterly Review*, forthcoming.

a democratic assessment of what is required from all countries to give priority to maximum sustained progress against poverty.

More specifically the following recommendation should apply;

a. **Governments**

- **Genuine ownership** of national development policy (including PRSPs) is a meaningless concept without effective state capacities to control the allocation of aid funds and have a say in formulating the policy agenda and monitoring the outcomes.
- Governments need to retain the right to **control investments and exchange rate regimes** so that foreign direct investments and transnational corporations should serve the needs of people by contributing to locally and nationally determined sustainable human development strategies
- **Regulate Chinese Investments**: SADC, together with other African governments needs to be clear with what they need to get out of Chinese investments. These investments have risen but their quality and impact remains unclear raising fears of debt accumulation among debt campaigners. Foreign Direct Investment (FDI) should be encouraged in areas requiring high capital outlay rather than in low capital sectors that are more appropriate for local investors.
- **Fight corruption and lack of accountability:** Accountability is now a buzzword in contemporary development discourse. It is central to development policy, whether government accountability (as a central component of good governance), corporate accountability (promoted by a swathe of standards and codes), or civil society accountability (claimed by people and organizations from the bottom up). When accountability works, citizens are able to make demands on powerful institutions and ensure that those demands are met[12].
- Continued strengthening of macroeconomic policy modeling capacity in the government’s key economic and financial policy management agencies should be an element of the reforms necessary to foster higher domestic savings[13].
- Capital market reforms may reverse capital flight, thereby raising the portfolio share of domestic assets and increasing measured income, measured net exports and measured domestic savings. Thus, policymakers should adopt a sub regional approach to the support and development of capital markets, so as to strengthen their catalytic role in mobilizing savings.

---

[12] IDS (2006) ‘Making Accountability count’ IDS Policy Briefing No. 33

[13] Keller, W. (1996) “Absorptive Capacity: On the Creation and Acquisition of Technology in Development”. *Journal of Development Economics*, 49: 199-227.

b. Donors

- **Keep promises by up scaling aid**:: The G8 cannot solve all the world or SADC's problems. But by delivering what they promised in 2005 and by going further to do all that they can to eliminate poverty and suffering, they could make an incredible difference to the lives of millions. Aid is still only 0.36 per cent of rich-country incomes, half of the 0.7 per cent target they signed up to in 1970. Increased aid levels are absolutely critical.

    - **Deepen and enlarge debt relief: The** Gleneagles deal potentially can apply to 41 poor countries in total, cancelling their debts to the International Monetary Fund (IMF) as of the end of 2004, and their debts to the World Bank and African Development Bank as of the end of 2003. To date, 24 countries have benefited. The remaining 17 countries need to get through the process as fast as possible and not be held up by unnecessary conditions.
    - **Stop Economic Partnership Agreements** (EPAs):The EU should give African, especially SADC countries the time and space they need to negotiate fair trade deals that do support economic development and poverty eradication, and that provide these countries with comparable levels of market access in the interim through the enhanced Global System of Preferences (GSP+), without breaching World Trade Organization (WTO) rules.

- ODA should be more predictable to allow better planning. To date, the domestic resource base has proved more reliable and more predictable than external resources

References

Ashman, D. (2001). "Strengthening North-South Partnerships for Sustainable Development." Nonprofit and Voluntary Sector Quarterly **30**(1): 74-98.

Atkinson. A.B. (2004) New Sources of Development Finance; Funding the Millennium Development Goals, UNU-WIDER, Policy Brief No. 10, Helsinki.

Helleiner, G. 2001. 'Local Ownership and Donor Performance Monitoring: New Aid Relationships in Tanzania?'

IDS (2006) 'Making Accountability count' IDS Policy Briefing No. 33

Johnson, A, Martin, M and Bargawi, H, 2004 'The Effectiveness of Aid to Africa since the HIPC Initiative: Issues, Evidence and Possible Areas for Action.' Background Paper for the Commission for Africa

Odedokun .M. (2004) Sustainability of External Development Financing to Developing Countries, UNU-WIDER, Helsinki.

Summary of Proceedings for the Third International Roundtable, Managing for Results, 5-8 February 2007, Hanoi, Vietnam.

Tjonneland Elling (2006) SADC and Donors-Ideals and Practices; From Gaborone to Paris and Back, FOPRISA Report 1, BIDPA, Gaborone.

UNDP(2002) The Millennium Goals in Africa-Promises and Progress" Report prepared by UNDP and UNICEF for G8Personal Representatives for Africa, June 2002, New York

VOICE (2006) Politics of Aid Conditionalities and Challenges, Dhaka, Bangladesh.

WFUNA& NSI (2005) We the Peoples; Special Report to the UN Millennium Declaration and Beyond p47, see also www. wfuna.org or www.nsi-ins.org

c. Civil Society

There is need to take advantage of dialogue opportunities offered by the Paris Declaration to raise the question of North-South accountability; to advocate for innovations and alternatives; and to define the role civil society should play in relation to the Paris Declaration based on their understanding of citizenship and the rights of poor and vulnerable people. To this end, Southern CSOs should insist that their Northern counterparts place the issue of mutual accountability and mutual responsibilities on the international agenda. They also lobbied their Northern counterparts to play more active roles in holding their own governments more accountable.

Suggested Issues for discussion

- How can Southern governments and civil society especially those in the SADC region hold Northern governments accountable within the commitments of the Paris Declaration?
- Considering that Sector-wide approaches and budget support are becoming very important modalities for channeling aid, how can CSOs ensure that increased donors' influence over Southern governments and on national policy-making processes remains accountable to the citizenry? and Is their any accountability-checks and dialogue space left for civil society contribution to shape policies as well as offer alternative development models?