Towards a New Paradigm for Development Assistance

SESSION SUMMARY

“When we discuss a new paradigm for development, we have to ask... what happened to the old one?”

The current development paradigm has been constructed around reducing poverty by achieving the Millennium Development Goals. There have been pockets of success by country or by sector, but progress has been slow and it is unlikely that this pace will accelerate leading up to 2015.

A new paradigm for development assistance must be created by innovative and inclusive partnerships. Private enterprise can play a vital role in fighting corruption, accelerating growth and making progress sustainable, rather than perpetually dependent on foreign aid. Official Development Assistance from donor governments must be delivered in cooperation with – and not parallel to – development efforts by governments, the private sector, international organizations and civil society.

This new paradigm of stakeholder engagement has the potential to be truly transformational by enabling African countries to leverage models and partnerships that work. Participants in this invitation-only interactive session debated the challenges and the opportunities for development over the next decade.

Redefining development assistance

Reports of economic growth across the continent mask extreme vulnerabilities, which is not conducive to inclusive growth and development. Development programmes and initiatives must address these vulnerabilities.

When redefining the development paradigm, it is important to reflect the aspirations of the African people. Most governments do not want budget support; they want domestic and foreign investment. People do not want charity – they want opportunities. Africa is in a situation of extreme vulnerability, which is not conducive to inclusive growth and development.

- A new dialogue is needed as new players such as China, India and Brazil are investing in Africa.
- Development cannot take place in a country without domestic investment. Citizens feel marginalized if foreign investment is driving development. Government and citizens need to “own” development. This creates accountability and engagement.
- Investment in people through education and training is needed to realize productivity gains and to create employment. Youth employment is a critical issue – witness the events unfolding across North Africa.
- The gender dimension must be taken into account across all aspects of the new development paradigm.

Governments must have a vision and “step up to the plate”

Ownership by the government and its citizens is critical. Governments have a vision of what they want to achieve, developed together with all stakeholders. Rather than reaching out to donors, government must develop a concrete and attractive plan for donors and private sector partners, who will then reach out to governments. This will avoid the scattergun approach to development and put countries on the path to sustainable economic and social development.

- Governments must invest taxpayers’ money into development, which will strengthen accountability and engage beneficiaries.
- Governments need to develop proposals and bring in the private sector, particularly for large-scale infrastructure projects.
- More engagement is needed from domestic financial institutions.
- It is important to learn from countries where there have been success stories. Mozambique, for example, produces visibility and feasibility studies and launches a tender for private investors to bid on the projects. Mozambique recently held conferences in London and Sao Paulo where successful private investors played the role of ambassadors.

Addressing the trust gap

A huge trust gap must be bridged if public-private partnerships are to overcome entrenched mutual distrust.

- One of the difficulties is transparency – in public-private partnerships government “picks a winner”, which exposes it to accusations ofcronyism and corruption
- Governments in general are hesitant and risk averse. The private sector in turn fears...
political risk. Nigeria is an exception—it ranks very low in Transparency International’s Corruption Perceptions Index, but still manages to attract substantial foreign direct investments.

- It is critical to create workable interfaces between the public and the private sectors that work. Budget support under the Paris Declaration on Aid Effectiveness should force national legal and financial institutions to lead the development of the country. But many donors prefer to work in parallel to the government, for example, by building a school or a hospital—perhaps in the wrong place.

Creating an enabling environment
The government must create an enabling environment to raise the comfort level of investors and donors if they are to work in viable partnerships. If partnerships are to be based on trust and accountability, there must be a clear definition of roles to create an environment that is conducive to the private sector. The private sector is also concerned about effective use of resources and internal efficiencies.

- Credible institutions are a lynchpin for sustainable development, supported by a transparent and robust regulatory framework with enforcement mechanisms.
- Trade agreements have a role to play; export tariffs remain a challenge for private sector development in many African countries.
- Due diligence on both sides is critical. In Mozambique, for example, the government has entered into partnerships with companies only to find the rights to the project have been sold to another party.
- The extractive industries are new players in the development space. Their views are critical in any framework as they are a key source of funds. Are there lessons to be learned about governance and transparency from the Extractive Industries Transparency Initiative (EITI)?
- The financial crisis and the events unfolding across North Africa are creating economic and vertical challenges. Investors need more than data and information if they are to make judgment calls about stability and predictability.
- Governments need the “bread and butter” elements of governance and capacity. There is a role for the African Development Bank to help governments in this area.
- African banks need to ensure financial services and products are delivered effectively and efficiently. Outmoded payment systems that result in waste need to be updated. Access—that is, branches—in rural areas need to be set up.
- Managing currency risks is a key challenge and a source of loss.

Information, a powerful driver for development
Providing information about specific opportunities and convincing entrepreneurs and investors to do business in African countries are often fraught with difficulties. Potential investors should consider the following key points:

- Is there a willingness to provide and share information? Companies and institutions already in the country and government officials are sometimes reluctant to share information. This makes life difficult. It might take six to twelve months to establish trust among the players.
- It is often difficult to collect information—particularly economic data—in a country. In sub-Saharan Africa, most countries do not have a central office to collect information about where investments and which development aid are needed.
- African countries should have an investment office in place to distribute information to investors and to the international media.
European media is very negative on Africa. Positive news is rarely published. This is also a challenge for African countries. Many do not have information policies and cannot publish positive reports about successful “born in Africa” initiatives. Chambers of commerce should find these role models and publicize them. However, most countries do not have the resources – governments, together with international organizations and multilateral institutions must address this issue.

Governments typically publish tenders internationally in newspapers, magazines, etc. An international database of companies that governments could approach for investment and development partnerships would be useful.

An international information centre should be set up to disseminate opportunities in the agriculture sector, which is currently a fractured landscape with many potential opportunities.

Deepening dialogue with China

The international community should deepen dialogue with China. Generally, negotiations with China have been the most productive when government and the private sector have worked together to promote investment.

In view of “disappointing amounts of official development assistance”, the International Monetary Fund has “very much welcomed” China’s increased role in addressing Africa’s infrastructure deficit. Non-concessional loans need to contribute to projects that will contribute the most to growth and are carried out in a transparent manner.

There is a lack of information and communication on both sides. This information gap needs to be bridged, as there are common objectives among all development partners and beneficiaries.