

**Statement by His Excellency Mr. Joaquim Alberto Chissano,
Former President of the Republic of Mozambique,
at the Symposium on “Making Aid Work”**

Topic:

***Between Trust and Frustration:
Towards Better Balanced Aid Relationships***

Basel, 07 December, 2007

Mr. Klaus M. Leisinger,

President of the Novartis Foundation and Chairperson of the Meeting;

Excellencies;

Distinguished Guests;

Ladies and Gentlemen;

I wish, at the outset, to congratulate the Novartis Foundation for convening this important meeting on looking for practical ways of making aid work. I am happy to have been invited to address this gathering to offer an African perspective on how best to achieve better balanced aid relationships.

Making aid work is an issue of critical importance for developing countries. From an African perspective we are encouraged by the new debate on how to make aid work. We hope that the debate will result into a new definition and new international cooperation architecture. We know that the structure of aid and international cooperation has dramatically changed with the end of the cold war and the emergence of unipolar world and the resultant changes in the structure of the international system.

By sponsoring such a discussion, the Novartis Foundation is strengthening its position as an institution that not only supports self-help efforts in developing countries, but also offers a platform for a public debate on development issues. It is my sincere hope and expectation that this gathering will come up with a clear framework on how to make aid work, thus providing guidance in an area that matters to a large segment of humanity.

Ladies and Gentlemen;

Development aid is increasingly being challenged worldwide. With regard to Africa, aid is widely perceived as an instrument not of humanitarian concern but an instrument of foreign policy. Aid is often used to advance various donor and recipient state interests. It is often poorly coordinated and managed and sometime with little impact on the life of those who need it. Significantly, to most policy-makers aid is considered as a failure and the alternative approach is individual and collective self-reliance. Many explanations can be advanced for this assertion. I will venture to present some of them.

In my view, the first reason for aid ineffectiveness in addressing the multiple social and economic challenges is mismanagement of aid by both donors and recipients. Some critics contend that aid has enlarged African government bureaucracies, perpetuated bad governments, enriched the elite, or just been wasted. For them aid merely served to fuel and perpetuate a culture of patronage which is the root of the governance problem. Other critics argue that aid for Africa only feeds corruption, destroys agricultural and industrial production, causes unemployment, weakens local markets, undermines entrepreneurship and results in more misery and dependency.

The second reason for poor performance of aid in Africa lies with the system of having the former colonial power as the lead donor, thus commanding a lot of influence over other donors and their attitude towards the recipient country. Many Africans regard the relationship with donors as still influenced by the colonial past, where donors “know” what, how much and when recipients need.

Furthermore, the behavior of many donors may suggest the belief that because they provide resources, they have the right to dictate, in practice, the terms of use of that aid, which is done according to their own interests, irrespective of the views of recipient countries or their development priorities. In some cases, priorities of donors and

recipients do not match. An example of this is infrastructure development in Africa, regarded by Africans critical to their growth, sustainable development, and creation of basic conditions to face globalization, but systematically dismissed by donors. To make matters worse, aid is also so poorly coordinated, with many donors competing and doing the same thing, with the same people, at the same time.

The third reason for aid ineffectiveness in Africa is the fact that in most cases, donors do ensure that the implementation of their projects is reserved to their companies and NGOs, on the grounds that the local ones do not have the necessary technical and financial capabilities. This is coupled by the extensive use of highly paid international consultants with unproven experience on African realities which results in aid ineffectiveness, non-creation of local capacity, while repatriating back aid to the donor countries, instead of propelling the local economies.

The fourth reason pertains to the political conditionalities associated with aid which have negative consequences, particularly when African countries are forced to introduce reforms at a pace that threatens their stability or focus in areas that are not those in pressing need of intervention. At community level, some NGOs take the initiative of unilaterally starting projects and before they are consolidated, move to another place to start others, abandoning unfinished work behind them.

The fifth reason lies in the fact that cumbersome bureaucracy leads cooperation to be more concerned with processes than with policy and results. Bureaucracy continues to pose a heavy burden to the weak public administrations, and a source of delays in making aid available. Ironically, quite often, the recipient countries are accused of lack of capacity to absorb aid, and not the donors for their heavy bureaucracies, which can be made lighter, without the loss of control they are meant to ensure.

Ladies and Gentlemen;

The key to making aid work in Africa lies in avoiding all the problems and mistakes I have just referred to above, and maybe many others. First and foremost aid must be provided in accordance with the explicit requests presented by the recipient countries, to ensure that it is fully aligned with the recipient country's development framework. Aid must be demand driven and not supply driven. Therefore, the nature of aid must be based on explicit request of individual countries. The recipient country must also have the ownership of the programmes and activities that will benefit from aid. This indeed, is in conformity with the Paris Declaration.

For aid to work it must be targeted to Africa's development needs and bolstering of productive capacities, in particular enhancing the supply capacity of African countries. Over the years, Africa's main handicap has been identified as one of a development nature, in which the poor quality of infrastructures has been considered as the first step towards placing the continent on the development path. Therefore, the development of infrastructure such as roads, ports, telecommunications networks and energy grids has been consistently placed as the main target for international aid. However, such request has not been given the priority it deserves from the donor countries.

We all know that poor infrastructure has a negative impact on African productivity, trade, growth and ultimately poverty reduction. Providing aid for infrastructure development remains the best way to increase African competitiveness and capacity across a range of productive sectors: agriculture, manufacturing, industry, as well as to addressing the constraints to trade-led growth and economic integration.

There is no doubt that Africa needs better transportation networks to move factors of production and products to market, safe, reliable and affordable energy and improved communications to remove constraints and enable a competitive private sector.

Investments in infrastructure must therefore support the opening of integrated regional and sub-regional markets for intra-African trade and the better positioning of a competitive Africa in global markets.

Good public infrastructures can be of little use if they are in a country without a capable state. The speed and efficiency of the supply chains depends not just on infrastructure but on an array of public and private services: customs agents, customs brokers, shipping agents, transport companies and banks. Inefficiency and corruption at borders impose major costs on business. According to reports, customs bottlenecks in Southern Africa cost the region \$48 billion a year. It takes only one link to paralyze trade.

Therefore aid must also be provided for building capable governance structures that are critical in running the country's economy. A capable state is essential for sustained economic growth and social progress. Policy prescriptions and the promulgation of rules are of little use unless there is capacity to implement them. Aid is equally of little use if there is no project management and implementation capacity. Therefore building capable states must be at the heart of aid.

In building capable states, aid should in this regard provide technical assistance to enhance the ability of the recipient countries' policy-makers, entrepreneurs and civil society to formulate and implement a broader national development strategy. Technical assistance should strengthen domestic policy analysis as well as the capacity to formulate and enact rules and regulations needed to operationalize policy choices made by the political authorities of recipient countries, instead of imposed ones.

Building capable states will include governance measures for a more attractive environment for investment and support to business, pro-poor growth and better delivery of basic services. A key objective should be expanding Africa's capacity to

manage and deploy scaled-up development resources, as well as the ability to negotiate international trade and business deals.

Aid should also be focused on empowering and boosting African private sector growth and providing accessible rural funding schemes. It is a well-known fact that business drives growth, provides employment and contributes significantly to poverty eradication. Removing the obstacles to private sector and business development and promoting a sound business climate must become a core objective in all country and regional strategies.

Another well-known fact is that no country or region can develop without having a robust indigenous private sector to propel social and economic advancements. Therefore, aid should be used for empowering African business people, improving the investment climate and promoting entrepreneurship. It should also help firms to produce better quality products. In that exercise, Aid should be instrumental in adding value to products, by helping Africa to move into processing natural resources and raw materials, likely to open more market opportunities as well as a larger margin of profit and income generated.

Aid should foster innovation and help Africa channel its growing scientific and entrepreneurial capacity towards life sciences product development and commercialization, as countries like India, China and Brazil did successfully. Africa has some scientific capacity, with over 36,000 full-time researchers in scientific fields. However; there is a lack of synergy and knowledge flow between companies and science and technology actors to enable the commercialization of new technologies. For example, there is unexploited potential to commercialize innovative biomedical research and development, such as traditional medicine and diagnostics.

In addition to investments in infrastructure development, aid could be used to support the development of national and regional centers of excellence and strengthening the linkages between life sciences and the private sector. These centers would facilitate and incubate innovation, to enable entrepreneurship and the development of technologies. They must do more than develop skills. They must enable African nations to capture the economic value of their own research and generate investments by developing infrastructure to convert knowledge into commercial goods and services that can meet the needs of both national and regional markets in Africa and global markets.

Ladies and Gentlemen;

The multiplicity of reasons explaining the relative failure of aid is the reflection of the complexity of the problem itself and its evolution over the years. In rethinking aid we must deal with the wrongs that have been hampering its effectiveness on both sides of the equation, namely on the donors and recipients sides. This exercise should actually be geared towards ensuring that we do get aid that is qualitatively and quantitatively up to the needs of recipient countries, so that its effectiveness is assured.

It is important to strengthen donor partnerships and establish donor coordination mechanisms at national level to ensure the effectiveness of existing programs. Strengthening country ownership and enhancing management for results are essential to ensure that expanding aid-for-trade delivers larger benefits to developing countries, particularly the least developed countries, and enables developing countries to effectively increase their ability to trade.

It will be important that donors work together to coordinate assistance and avoid competition. Donors need to implement good practice principles in development assistance delivery. They need to streamline and harmonize their policies, procedures, and practices; intensify delegated cooperation; increase the flexibility of country-based

staff to manage country programs and projects more effectively. However, one point must be emphasized: Aid will only be successful if owned by recipient countries and not dictated by donors.

In my view, the triangle composed by governments, private sector and the civil society should be strengthened, so as to build a strong national partnership that will ensure increased aid effectiveness, on one hand, and ensure the sustainability of the efforts being made for the development of the continent, on the other.

To be fair, aid effectiveness has been increasing in Africa. Indeed, a lot of progress has been recorded, with very encouraging results. Here are just a few examples:

- In most African countries, democratic elections are a routine in their political life. This shows that democracy is indeed taking root in Africa;
- Democratic institutions are consolidating their respective roles in the African societies. Such is the case of parliaments, political parties, judiciary, the media, civil society and other interest groups, etc;
- Steady economic growth is taking place in most countries, with benefits spreading to the households and communities;
- The provision of essential public services, such as health, education, water, electricity, telecommunications, ICT and others is increasing fast, although the way to go is still a long one;
- A growing number of donors are channeling their aid through the national budgets, which attests to the growing mutual confidence and trust between the governments and their development partners;

- The quality of policy dialogue between the donors and African governments is improving. But surely it needs further improvement.

In all these positive developments a higher quality of partnership between donors and their African partners is present, as a result of lessons learned from the past. The challenge, however, is to improve further this partnership, so that better results can be achieved in Africa, where more demanding and vocal communities are on the rise.

Ladies and Gentlemen;

Looking at the case of Mozambique, it has become clear that aid had somehow made difficult the materialization of the national sovereignty and the possibility of freely choosing the policies to implement. Aid came with imposition of prescriptions and questioning of the predominant development paradigm. Aid fragmentation forced us to devote more time and attention on managing processes rather than its content. Ill informed prescriptions by donors often failed because donors did not have a deep understanding of the real situation of the recipient country. Therefore, it is equally important for donors to know the history and reality of the country, in particular the dynamics that lead to the taking of certain decisions and development policies.

Aid does help the development of poor countries. But its quality and quantity must be improved. For aid to be effective it must be provided in the right quantity, at the right time and under the right conditions, modalities and processes. It must always be conceived to propel the recipient country's economy. Therefore, it must create and strengthen capacities in the recipient country. Look at the example of Malawian farmers that doubled their agricultural productivity and output in just one season, thanks to seeds and fertilizers that they received through aid. Look at the example of Senegal that is reported to be close to meeting the relevant MDG for access to potable water

through foreign aid. This shows that aid does work, if provided under the right quantity and quality.

In making aid work, the first thing that comes to peoples' mind is the amount of money that is supposed to be provided. Therefore, for many people quantity is what matters most. But in fact quality equally matters as you may actually mobilize an impressive amount of money that if it is not going to be used according to fair and balanced set of rules that bring together providers and recipient, the impact will just be very little or negative. That's why I believe that in rethinking aid we must aim at enacting an effective compact bonding donors and recipient countries towards clear, expressive and visible results on the ground.

The new global compact on aid should be based on a true spirit of partnership and solidarity, focused on lifting people out of poverty, generate economic growth and propel poor countries to sustainable development. Aid should be targeted to achieving quick-wins where emergency and suffering are widespread, helping recipient countries bolster or strengthen their capacities, and nurturing productive capacities to foster self-reliance and the ability to live in the global village as an equal partner.

In making aid work, we need to come up with a system in which donors and recipient countries have mutual trust, centred in the notion of the acceptance of the recipient government's leadership of the overall development process. Only when the government exerts leadership of the process it can claim ownership of aid. In the new global compact on aid, developing countries should be awarded a chance to formulate and implement their own strategies.

In this global compact, recipient countries should set their priorities and donors should monitor their aid programmes without grossly interfering in policy formulation. Donors and recipients must enter into a partnership where accountability is demanded to both

parties, and dialogue is a must. Aid must be aimed at providing effective solutions to those in need. Only then its effectiveness will be a reality, to the benefit of humanity.

I thank you!