

Financing For Development: Finding the Right Local Balance

Nicholas Westcott*

Sometimes the history of human development seems to accelerate, sometimes to stagnate; and occasionally it even seems to go backwards. As we pass the first quarter of the 21st century, the pace of change is accelerating, but the risk of human development going backwards is rising.

This Ambassador's Perspective looks at the change from the perspective of a donor in Africa. What policies were adopted, what programmes designed, what steps taken to help African countries develop their economies, reduce poverty and deliver improved livelihoods and better services. Was the money spent effectively, and can progress be sustained?

From 1982 to 2018 I was a British diplomat. For twelve of those years, I worked largely in or on Africa, including time spent in East and West Africa, in London when the Department for International Development (DFID) was set up, and in Brussels when the EU's aid programmes were being reorganised after 2011.

Throughout these years I have been struck by the immense value of regular

exchanges with local African governments and close coordination between donors on the spot. In Ghana this helped deliver major improvements to education and economic policy-making, and in Tanzania to more efficient markets and improved governance. Often small, targeted interventions proved more effective than larger but less focused ones.

Development aid itself has been through a constant cycle of policy changes in the last 100 years: from simply providing infrastructure to stimulate private sector growth, to bringing large areas of economic activity under state control, and state provision of basic social services, through structural adjustment and privatisation, back to reinforcing health and education efforts and reforming governance, to a renewed focus on infrastructure and private sector growth. All the while, there has been an ever-growing demand for humanitarian aid in response to natural and man-made disasters.

Despite all the changes, and independent of the absolute volume of aid, I have been struck that three things have made a significant difference: the nature

* Professor of Practice in Diplomacy at SOAS University of London and a former British High Commissioner to Ghana and Ambassador to a number of African countries. Views are personal.

of relations between host governments and donors, where this worked well, and led to a genuine dialogue; secondly the degree of coordination between donors themselves; and thirdly, the ability to respond to lessons learnt in the field and adjust policies and practices to make aid most effective.

Where these were present, it was possible to make constructive contributions to help communities, reduce poverty, improve livelihoods and accelerate growth, and avoid failed efforts that bred resentment more than hope or progress.

1. Relations

The relations between a donor and recipient are inherently unequal, and distinct from normal diplomatic relations between two independent sovereign states. As an ambassador, you have to navigate both. You are the representative of your national government responsible for the full range of bilateral and international issues that you discuss with the host government; and you and your team are equally responsible for ensuring the proper use and good value of bilateral aid donated to the host country. Getting the balance right helps ensure the partnership is genuine, the objectives are shared, and prescriptions are the result of discussion not presumption. Bringing experience from other countries is valuable, but it is equally important to understand the local background to domestic priorities.

In both Tanzania and Ghana, relations between the UK as a major donor and the host governments were open, friendly and

fruitful. Tanzania had a more Nyerere-ite scepticism about western aid prescriptions and a fiercely independent non-aligned position internationally. But bilateral relations were good, and the government welcomed development assistance and long-term investments from the CDC (now BII), the British government's private sector development finance arm, as long as there was no unreasonable conditionality attached. We worked closely with the relevant ministries to ensure British development programmes fitted with Tanzania's overall development strategy.

In Ghana, British development staff worked closely with the lead sector ministries, particularly education and health, to ensure British aid was directed into the Ghanaian government's priority areas. The problem was often that the ministry's capacity was not up to the demands its own government put on it, and aid did not always reach the intended end user – such as regional schools. Though we could be sure that the finance provided was in line with Ghana's priorities and delivered through the ministry, not independently, it was sometimes hard to provide assurance that the funding had delivered the desired outcome or impact.

In other countries, where relations with the host government were strained, or there was a risk of aid being diverted to other ends, it could be delivered through civil society organisations that provided it direct to the intended beneficiaries. In circumstances where there was no effective government, relief agencies would go to extraordinary lengths to get support

directly to those most in need, despite the danger.

As aid budgets shrink, the partnership with host governments becomes more, not less, important, to ensure that assistance goes where it can deliver most value. Where there is a shift from aid to private sector or state-led investment, relations are different again, and greater onus rests on the host government to ensure the terms of the deal are fair and the implementation efficient and compatible with its overall development objectives. Often the local diplomatic mission only gets sight of the project or its details at a late stage, and its influence can be minimal.

2. Coordination

Coordination among donors themselves has always been important to avoid duplication, dispersion of host government efforts, or contradictory policies being pursued. With all donors demanding time and coordination with host governments, some ministers had little time to focus on managing their ministries and delivering nationally. In all countries where I worked, donor-only coordination meetings, often chaired or co-chaired by the multilateral agencies, would take place to share information. We also held collective meetings with the government to avoid the multiplication of separate bilateral ones. Smaller sectoral groups of donors on health, infrastructure, agriculture or energy would also meet, often with the government ministry concerned. As long as they were transparent, they helped ensure the coherence of external support, and the best value for the host country.

Such coordination, however, is becoming more difficult. The diversification of external supporters, and kinds of support to include not just traditional aid, but trade financing, commercial loans, infrastructure deals, security and so on, has fragmented the support networks. Many new external actors will act only bilaterally, and some refuse to coordinate at all. In Ghana in 2010, China was persuaded to join the donor coordination meetings, not so much to speak (they said little), but for them to hear the wider economic assessment of what the country needed and what others were doing. Amongst the new actors ('non-traditional donors'), such as China, the Gulf states, Turkey, India and others, some offer only what they want to give, others what the local political leaders want, neither of which is necessarily part of a coherent development plan. With more external support coming from these sources, there is a greater risk of finance going astray or being used unproductively.

Several international coalitions have been assembled to target specific development goals, such as GAVI for vaccinations and the Global Fund to fight AIDS, tuberculosis and malaria, which incorporate major non-governmental trusts, foundations and other donors. Though they have sometimes operated independently of traditional donor coordination mechanisms, they have had considerable success, particularly in mobilising major new resources for the campaigns.

In many ways, I found that local coordination was more effective than that between capitals or in multilateral

institutions, provided local representatives were well-informed about what their HQ was doing. The trusted personal relations between the individuals concerned, both in the local government and the donor agencies, enabled honest conversations to take place which helped ensure an effective programme. Where that trust did not exist, local coordination made little difference.

3. Lessons

Following major agreements reached in Paris in 2005 and Accra in 2008, a greater emphasis has been put on achieving aid effectiveness. This draws heavily on the lessons learnt from the many development failures of the 1960s, 1970s and 1980s. With inspiration from DFID, which following its founding in 1997 assembled some of the most talented development specialists of all nationalities, the multilateral agencies including the World Bank, African Development Bank, EU and others have

become much more effective at using aid to deliver good outcomes for poor communities. The same applies to GAVI and the Global Fund, which have applied lessons from previous health projects and adopted global best practices.

With the diversification of donors, and more finance passing through bilateral rather than multilateral channels, there is a higher risk of these lessons from the past being forgotten and programmes being launched which fail because they repeat mistakes that have happened before. This would be to everyone's detriment.

All development, like all politics, is local. Though the macroeconomic situation and the government's probity, efficiency and good policies are always essential for economic growth and improved livelihoods, it is the difference made in individual communities for individual people that matters. And the local perspective on that will help even smaller amounts have a bigger impact.