

"FROM PARIS TO ACCRA VIA WILTON PARK:  
THOUGHTS ON PROGRESS AND FUTURE CHALLENGES"

STATEMENT DELIVERED BY

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## 1.0 INTRODUCTION

Mr. Chairman, Colleague Ministers, Distinguished Ladies and Gentlemen,

I am privileged to be part of this very interesting and informative forum. I have learnt a great deal from your debates and discussions on European Development Policy in the context of aid effectiveness and the key priorities towards this end.

I am also pleased for the invitation to share with you some of the thoughts and experiences of partner countries regarding their bid to overcome the challenges militating against the attainment of aid effectiveness. I will also share with you some of the key issues we believe should feature prominently at the 3<sup>rd</sup> High Level Forum on Aid Effectiveness that will take place in Accra from 2<sup>nd</sup> to 4<sup>th</sup> September, this year.

In my capacity as Minister of Finance and Economic Planning in Ghana and also as the National Authorising Officer for the European Development Fund, I am in a unique position to present to you a snapshot of how European Development Policy as encapsulated in the Cotonou Partnership Agreement has been implemented and how relevant the aid effectiveness agenda is in that context.

## 2.0 THE NEED FOR AID

The purpose of collaborating with donors for aid is to enable recipient countries implement their nationally owned general and sector policies and meet the needs of their people. In Ghana as I am sure with other recipient countries, the focus of our development agenda is three-pronged; Public Sector development, Human Resource development and Information & Communication Technology development.

### 3.0 AID EFFECTIVENESS PRINCIPLES

It is worthy of note that the quantum of aid is essential but what is even more important is aid effectiveness. As we are all aware, the Paris Declaration sets out an agenda to make aid more effective and efficient by reducing duplication, transaction costs, and misdirected aid. The essence of the Paris Declaration is a commitment by donors to help developing country governments formulate and implement their own national development plans, using their own prioritisation, planning and implementation systems wherever possible. To this end the Paris Declaration commits signatories to 5 important principles, namely Ownership, Alignment, Harmonisation, Managing for Results and Mutual Accountability. In a sense, the Paris Declaration is almost synonymous with aid effectiveness; it is expected that aid will be effective and achieve development outcomes when the principles are observed.

### TRADE

In December last year, I received a very informative publication entitled "*Collaboration in Action: Celebrating 50 years of Unified Europe and Independent Ghana*" produced by the Delegation of the European Commission in Ghana. It chronicles, among other things, the partnership Ghana has had with the European Union since 1975 under the auspices of the ACP-EU partnership. It was interesting to note that the elements of future aid and trade agreements were explored as far back as 1957.

It must be acknowledged that from 1975 until 2000, not much attention was paid to developing and sustaining the trade capabilities of the ACP group. Whilst the goal was still to eradicate poverty and integrate ACP economies into the global economy, the means to execute this was probably inadequate. The concentration on the provision of potable water, electricity, roads, schools and clinics did much to alleviate the poverty experienced by our people and to give the Government's coffers some much-needed respite as regards our efforts to shield the populace from the prevailing harsh economic conditions at the time.

However, in retrospect, this form of support, while laudable and very necessary to our economy, did very little to improve our capacity to trade with the developed

world. The preferential trade terms under the partnership also did not change things very much; we still exported primary products and imported finished goods.

The Cotonou Agreement, which the ACP-EU partnership began implementing in 2000, sought to address this matter by building the capacity of ACP states in the area of non-preferential trade arrangements while maintaining as its central focus the fight against poverty as well as the sustainable development of ACP countries. An innovative feature of the Agreement was the introduction of elements of a new trade arrangement which emphasized gradual reciprocity known as Economic Partnership Agreement (EPA). Under the EPAs, preferential access for exports to the EU would be retained and given the WTO status. Each EPA will also provide access to EU exports under low or zero tariffs

It is pertinent to note however, that most members of the ACP Group resisted signing the WTO-compatible EPAs because of fears that cheaper imports from the EU would flood the local market and threaten their fledgling industries and the livelihoods of ACP citizens. Indeed, after years of aid to integrate our economies with the global economy, it is most disheartening to realize that we are simply still not ready for the shift in trade arrangements. One may therefore ask how effective the aid received has been.

Ghana has now signed an interim EPA and must now work closely with its aligned neighbours and seek to capture any potential medium-term gains. EPA may still lead Ghana and other African countries to a higher growth path with a more diversified base of exports. However the goal should be to explore preferential access to the other international markets such as the US, Chinese and Indian markets, as a way of jump-starting African trade and growth prospects.

## **CHALLENGES**

The implementation of the Paris Declaration presents serious challenges and therefore concrete targets set for 2010 (such as increased proportion of aid to be untied; establishment of mutual accountability mechanisms in aid recipient

countries; and for two-thirds of aid to be delivered in the context of so-called programme approaches rather than project approaches) look unlikely to be met, according to OECD data.

### **Delays**

One reason for this is delays. For example, the European Development Fund (EDF), which is the principal vehicle through which aid is given to recipient African, Caribbean and Pacific (ACP) countries, has such cumbersome and lengthy procedures that delays in accessing these funds are inevitable. This is typical of donor programmes and is a practice that negatively affects our fiscal deficit indicators -- which in turn affects our ability to go in for commercial loans to further our development agenda.

### **Global Debate on Aid Architecture**

I have listened with interest to the debates and discussions on harmonization, alignment, ownership and European Union and Member States' policy coherence, as well as the preparedness of the partner countries to dialogue with them. In my opinion, these key areas remain critical to the global debate on the aid architecture. The issue of how these principles should be managed in order to strike the right balance between the roles different donors and the individual recipient countries have to play, should feature prominently in our deliberations at the Accra Forum.

### **Ownership**

The issue of **ownership** has been the subject of endless debates time and again. The subject is dear to the hearts of recipients of aid. Respect for and adherence to ownership would ensure that the partner country is responsible for the formulation and implementation of its general and sector policies. Of course, our capacities would not be strengthened overnight but reinforcement, emphasis and use will ensure that this expertise is not undermined either internally or externally. This process should logically strengthen our various country systems, be they for appropriations, procurement, expenditure monitoring and reporting and auditing.

Very often, in such discussions, the opinion is expressed that "ownership is taken, not given". I have a problem with that view. Many times, the actions of our development partners at country level border on the verge of micro-managing us to such an extent that the very notion of ownership cannot even be said to exist. This kind of behaviour cannot be helpful to either side. Allow me to quote a remark made by the Chairman of Ghana's National Development Planning Commission in his opening address at the Financing for Development conference held in Accra last year, which best sums up my point: " ... it is inefficient for donors to try and micro-manage African development. The only successful model is to leave the task of developing Africa to the African people and their chosen leaders".

#### Conditionality

Another issue which is of serious concern to partner countries is the practice of conditionality. In my view, it is one of the most significant constraints to effective aid. The practice as we know has long evoked debate and controversy. Macroeconomic and structural conditionality is usually at odds with the basic tenet of a nationally-owned and nationally-led development process; and infringes upon national sovereignty and policy space in decision-making. I believe that the Accra Forum should serve as the platform for frank dialogue between donors and partner countries to strike the balance between the principles of ownership and mutual accountability, while addressing the legitimate concerns of donors.

#### Suspension of Aid

In addition to all these challenges are the rather alarmist and sensational approach politicians in donor countries resort to when alleged instances of bad governance come to the fore. Aid is suspended and the entire economic agenda and policy of a country is thrown out of gear further increasing the hardship of the citizens of the country.

#### Integration

I advocate for regular and deepening dialogue amongst recipient countries because of the urgent need to integrate our economies to enable us enjoy the full benefits of globalization. To ensure smooth integration however, there is the

need to dialogue on policy issues to ensure harmonization and coherence. Through this dialogue we may learn and impart lessons on policies that have succeeded and those that have failed; and this I believe would go a long way to make aid more effective whilst ensuring that a vital resource of information and experience is not ignored.

### **Exit Strategy for Aid**

While I acknowledge that the provision of the various forms of developmental support I enumerated earlier is critical to the development of partner countries and to the achievement of the Millennium Development Goals (MDGs), I must also concede that the aid arrangements were not in our best interests. Surely there must be an exit strategy where aid can be used to increase the productivity and incomes of the citizenry. To this end, I would welcome the idea of establishing an International Financing Facility which allows a large proportion of aid to be channelled to specific areas that will have a direct impact on the population, rather than having a piece-meal approach in this regard. This strategy would allow recipient countries to have access to the international capital market to borrow adequate resources to support critical areas such as health. I refer particularly to our efforts to control and eradicate malaria and tuberculosis.

### **CONCLUSION**

We have travelled from Paris and are now heading towards Accra via Wilton Park. We the partner countries are speaking with one voice and the resonance is clear: we need a closer dialogue with our Development Partners to reach a consensus on the way business should be conducted using the principles of the Paris Declaration as a guide. Indeed, if the Accra High level Forum is to have a real and lasting effect on the aid effectiveness agenda and not end up as just another talk shop, we will all have to practice what we preach and do so in all sincerity and honesty.

I would like to end my remarks by encouraging us all to forge ahead to improve aid management and aid effectiveness without compromising our stance on the need for transparency and accountability, as well as on the need to draw up a workable exit strategy for aid. Maintaining our focus will enable partner countries

improve on our home-grown capacities and make sure your resources are fully utilized for our mutual benefit.

Thank-you for your attention.