



# Increasing aid and its effectiveness in West and Central Africa

Two related factors are currently dominating development cooperation with low income countries. The first is concern that aid needs to be scaled up significantly in order to meet the Millennium Development Goals (MDGs), while the second is a growing recognition of the importance of improving aid effectiveness. Both factors are especially relevant in West and Central Africa, since this region is furthest away from meeting the MDGs, has the weakest economies and arguably has the highest need for scaled-up, higher quality aid.

This briefing paper presents, first, the trends in official development assistance (ODA) to West and Central Africa, focusing in particular on ODA to the social sectors, and then discusses the challenges of improving the quality of aid. Application of the Paris Declaration on Aid Effectiveness, adopted by developing countries and donors in 2005, poses special challenges in a region with a large number of fragile states.

## Trends in ODA

West and Central Africa has seen significant increases in aid in the past few years, but this has not benefited all countries. Much of the increase has come from debt relief, which has so far been concentrated on about half the countries.

According to data from OECD-DAC (see Figure 1), the region received US\$68 billion in ODA in 2000-2007.

Whereas aid worth US\$3.9 billion at 2006 constant prices was provided in 2000, this had risen to US\$7.5 billion by 2007, as Figure 1 shows. This was a 92% increase, higher than for Sub-Saharan Africa as a whole.

As a share of gross national income, aid receipts increased from 7.0% in 1997 to 7.9% in 2007. Aid dependency is high across much of the region, with aid

### Box 1. The study on children, PRSPs and budgets in West and Central Africa

This is one of eight briefing papers that present the main findings of a study on children, PRSPs and government budgets in West and Central Africa. The objective of the study was to deepen understanding of the impact on children of the PRSPs, the evolving fiscal environment and related reforms in public financial management systems and aid modalities in West and Central Africa.

Commissioned by UNICEF's West and Central Africa Regional Office (WCARO) and carried out by Oxford Policy Management (OPM) between November 2007 and February 2009, the study included a regional review and five country case studies on Burkina Faso, Chad, Ghana, Mauritania and Sierra Leone.



in five countries (Cape Verde, the Democratic Republic of Congo, Guinea-Bissau, Liberia and Sierra Leone) accounting for 10–20% of their gross national income.

The surge in aid has been driven heavily by debt relief, which has particularly benefited West and Central Africa. Twenty out of 24 countries in the region are at various stages of the Highly Indebted Poor Countries (HIPC) debt relief process.

By 2007, eleven countries (Benin, Burkina Faso, Cameroon, The Gambia, Ghana, Mali, Mauritania, Niger, São Tomé and Príncipe, Senegal and Sierra Leone) had reached the HIPC 'completion point' – the trigger for substantial debt relief. In addition, Congo, DRC and Nigeria have received debt relief outside the HIPC framework.

Overall, debt relief accounted for about 54% of total ODA to West and Central Africa in 2000-2006, mainly concentrated towards the end of the period. Debt relief did not substitute for other aid, which also grew, though less so (by about 46%).

However, regional aggregates hide very significant differences among countries. Six countries (Cameroon, Chad, the Republic of Congo, Liberia, Nigeria and

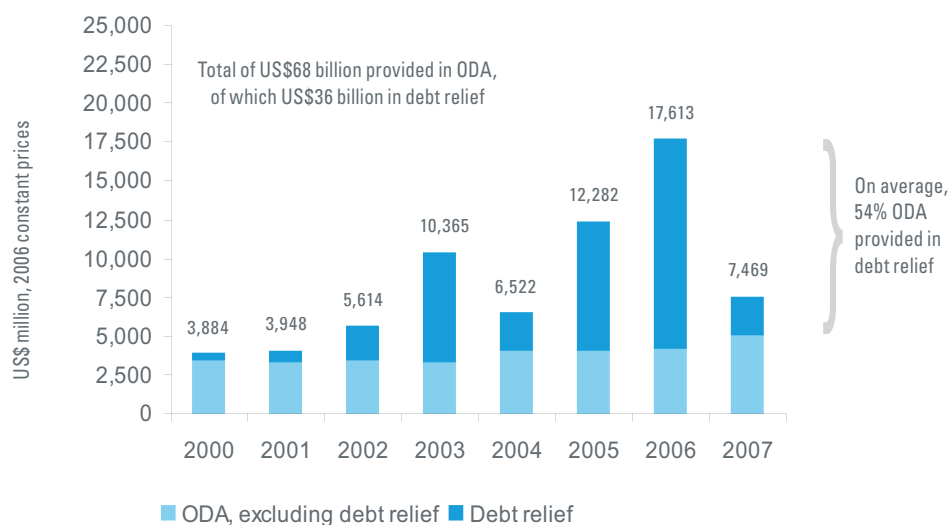
Sierra Leone) saw their total ODA, including debt relief, double from 2000 to 2007. But during the same period, six countries (Benin, Côte d'Ivoire, Equatorial Guinea, Guinea, Guinea-Bissau and Togo) saw a real decline in aid flows. Excluding debt relief, Mali, São Tomé and Príncipe and Sierra Leone also received less ODA.

It is also striking that some of the poorest countries in the region have the lowest per capita aid flows. Overall, annual aid per capita increased from a low of US\$24 in 2001 to US\$45 in 2007. But some of the poorest countries in the region were among the 'aid orphans' that received on average the lowest aid per capita: Togo (US\$9), Chad (US\$12), Nigeria (US\$12), Niger (US\$15), The Gambia (US\$12) and the Central African Republic (US\$15).

A recent OECD-DAC survey showed that development partners plan to scale up further their 'programmable aid', both globally and to West and Central Africa (by 23% between 2005 and 2010)<sup>1</sup>.

However, despite the high priority being given to Africa, there is clearly a risk that actual aid flows will be less than expected, because of the acute fiscal pressures facing OECD countries as a result of the global recession.

**Figure 1. ODA flows to West and Central Africa (US\$ million at 2006 constant prices)**



Source: OECD-DAC, International Development Statistics, 2009

<sup>1</sup> OECD-DAC (2008), Scaling Up: Aid Fragmentation, Aid Allocation and Aid Predictability: Report of the 2008 Survey of Aid Allocation Policies and Indicative Forward Spending Plans.

# social exclusion

## reduction of poverty

### ODA to the social sectors

Development partners have substantially increased the absolute level of their assistance to the social sectors. Between 2002 and 2007, a total of US\$3.0 billion was disbursed to the health sector and US\$4.4 billion to education (at 2006 constant prices) in West and Central Africa. Aid disbursements for health nearly doubled and for education rose by 117%.

### Box 2. Health warning: Interpreting aid statistics

Care should be taken in interpreting aid statistics. The Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD-DAC) has two different data-bases that are not necessarily consistent with each other or to other databases such as those kept by the World Bank, the IMF and the African Development Bank. OECD-DAC statistics are collected through mechanisms for self-reporting by development partners, and therefore may not necessarily match aid data collected within aid-receiving countries.

Given the importance attached to the new 'programme' approaches to development cooperation in the Paris Declaration (and the need to monitor the Declaration's aid effectiveness indicators), it is surprising that the international aid data-base systems do not provide more and better information on the composition of aid by types of aid modalities, including budget support.

As most of these statistics are collected directly from development partners, there is a strong role for them to play in improving the accuracy, classification and timeliness of data on aid flows in order to ensure that better information is provided, including for monitoring of the Paris Declaration principles.

Besides absolute increases in disbursements to the health and education sectors, it is also encouraging that both sectors increased their share of total ODA; from 6% to 10% of ODA for education and from 5% to 7% for health during the period.

These figures may understate donor support to both sectors. An increase in balance of payments support, budget support and debt relief might well have contributed to external resources for education and health (through increased domestic budget allocations), but by definition it is not possible to trace this.

Education disbursements more than doubled in fourteen countries (Benin, Burkina Faso, Cameroon, Cape Verde, The Gambia, Ghana, Guinea, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal and Sierra Leone), but declined in the Central African Republic. Health disbursements doubled in twelve countries (Burkina Faso, Cape Verde, Côte d'Ivoire, Equatorial Guinea, The Gambia, Liberia, Mali, Mauritania, Niger, Nigeria, Sierra Leone and Togo), but declined in CAR, São Tomé and Príncipe and Senegal.

### Aid effectiveness

The effectiveness of aid depends both on the commitment and capacity of recipient governments to put aid to the best use and on donor practices. Institutional and policy weaknesses within aid-receiving countries, such as weak national leadership of the development agenda and ineffective public administrations and public financial management systems, can lead to inefficiency in the use of aid resources and lack of sustainability in the results of aid. These risks are particularly high in so-called 'fragile states', including those enmeshed in conflicts or crises, or rebuilding after past conflicts. West and Central Africa has a particularly high proportion of such countries.

Poor practices on the part of development partners also reduce aid effectiveness. Fragmented project assistance, parallel reporting requirements and a plethora of separate donor missions impose heavy transaction costs on scarce government capacity. Furthermore, unpredictable aid flows undermine governments' efforts at medium and long term planning, while large flows of

off-budget aid compromise rational resource allocation and the role of parliaments in ensuring government accountability.

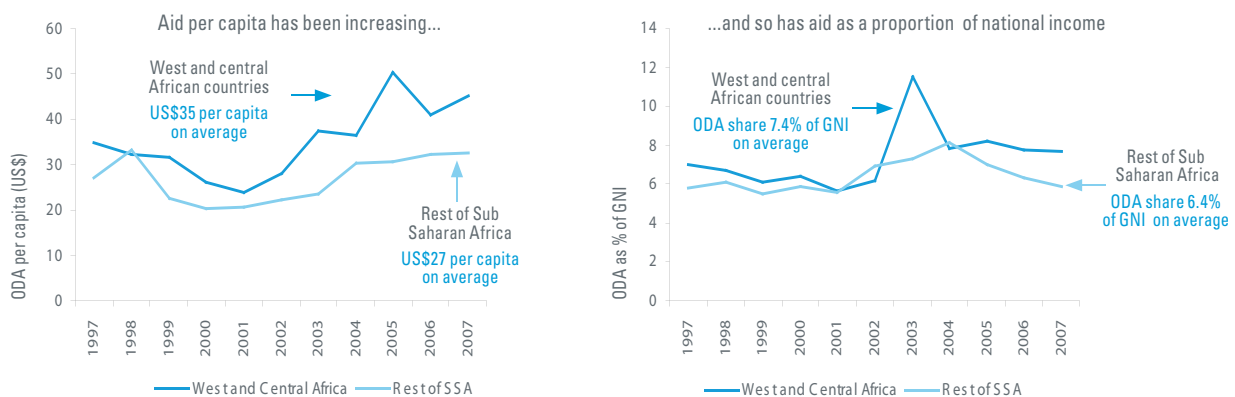
The Paris Declaration attempted to address these problems by establishing a set of basic principles for development cooperation (see box 3).

The application of these principles in practice depends not only on the good faith of development partners, but also to a large extent on the leadership exercised by developing country governments (the ‘ownership’ principle) and the relative strength of ‘country systems’, although weaknesses in the latter are supposed to be overcome by capacity development.

Two countries in the region, Ghana and Senegal, have set up mechanisms for mutual accountability reviews with their development partners. Ghana has drafted a comprehensive aid policy to implement the Paris Declaration (see Box 4).

As noted above, the institutional weaknesses in fragile states, especially those affected by conflict, limit the practical applicability of the Paris Declaration principles, although not entirely -- the measures to reduce the transaction costs of aid (under the ‘harmonization’ principle) are particularly pertinent in these countries. The Accra Agenda for Action, adopted at a follow-up High Level Forum on Aid Effectiveness in September 2008, committed donors to implement the DAC Principles

Figure 2. ODA per capita and ODA as % of GNI in West and Central Africa



Sources: OECD-DAC, International Development Statistics, 2009.

### Box 3. The Paris Declaration principles

The Paris Declaration on Aid Effectiveness is based on the following five principles:

- National ownership (or leadership) of the formulation and implementation of development strategies;
- Donors’ alignment with these strategies and use of country systems, accompanied by the strengthening of public financial management (PFM) capacity and improved predictability of aid commitments and disbursements;
- Harmonization through donors’ using common arrangements (for planning, funding, disbursement, monitoring, evaluation and reporting) and avoiding practices that undermine national capacity;
- Managing for results, including by strengthening linkages between national development strategies and the budget process;
- Mutual accountability: strengthening parliaments’ oversight of development strategy and budgets, in aid-receiving countries, and improved provision of information on aid flows by donors.

for Good Engagement in Fragile States and Situations. These principles include harmonization among donors (for example, joint assessments and pooled funding) and capacity development for core state functions and post-conflict recovery.

In preparation for the Accra High-Level Forum, the OECD-DAC carried out a survey of progress in the implementation of the Paris Declaration principles. This indicated that some progress was being made globally, but not fast enough to meet the 2010 targets<sup>2</sup>. Data were for 2007, with 18 countries in West and Central Africa reporting.

The percentage of aid using governments' PFM systems (measured as an average for budget execution, reporting and auditing) varied from 0% in Côte d'Ivoire,

DRC and Nigeria to highs of 51% in Ghana and 53% in Cameroon. The use of national procurement systems ranged from 0% in Liberia and Nigeria to 63% in Benin and Cameroon (see Figure 3).

Overall, 19.4% of ODA was in the form of budget support. But there were large variations, with budget support most advanced in countries with stronger public financial management systems. While budget support accounted for none of the aid to Chad, Gabon and Nigeria, and less than 1% of the aid to Côte d'Ivoire, the proportions were over 20% in Cape Verde, Liberia and Mali, and over 30% in Benin, Burkina Faso and Ghana.

### Conclusions

The region has received a large increase in aid in the past few years, but not all countries have benefited. Debt

#### Box 4. Ghana's emerging aid policy

In 2008, the Government of Ghana presented a draft aid policy based on the Paris Declaration. This sets out basic principles for development cooperation, including country ownership, predictability of aid, mutual accountability, reduced conditionality, equity in resource allocation and a long-term goal of reducing aid dependency. Aid programming is to be guided by the Growth and Poverty Reduction Strategy II and the nearly finalised National Development Plan 2009-2015.

The central message is use of country systems. The policy aims to increase un-earmarked general budget support to 60% of aid by 2010. To a limited extent, un-earmarked sector budget support, within a sector wide approach (SWAP), will also be encouraged, but project aid will be limited mainly to capital-intensive infrastructure. The government will decline all assistance that has high transaction costs, is poorly aligned to government priorities and/or has excessive conditionality.

To strengthen predictability and ensure that ODA is fully factored into the Medium Term Expenditure Framework (MTEF) and annual budgeting, the policy urges development partners to make three-year aid commitments at least six months before the start of each budget year. For its part, the government will further strengthen transparency, reduce corruption and improve 'value for money' in public expenditure.

The draft aid policy also aims to improve the quality of technical assistance, which currently accounts for 25-30% of ODA and is largely supply driven, fragmented and unsustainable. A capacity development strategy will define the role of external technical assistance in enhancing capacity.

Other measures include the rationalization of M&E frameworks to reduce parallel reporting, a strengthened role for the Ministry of Finance and Economic Planning as the sole government body empowered to contract aid, and the streamlining of mechanisms for government-partner coordination under stronger government leadership.

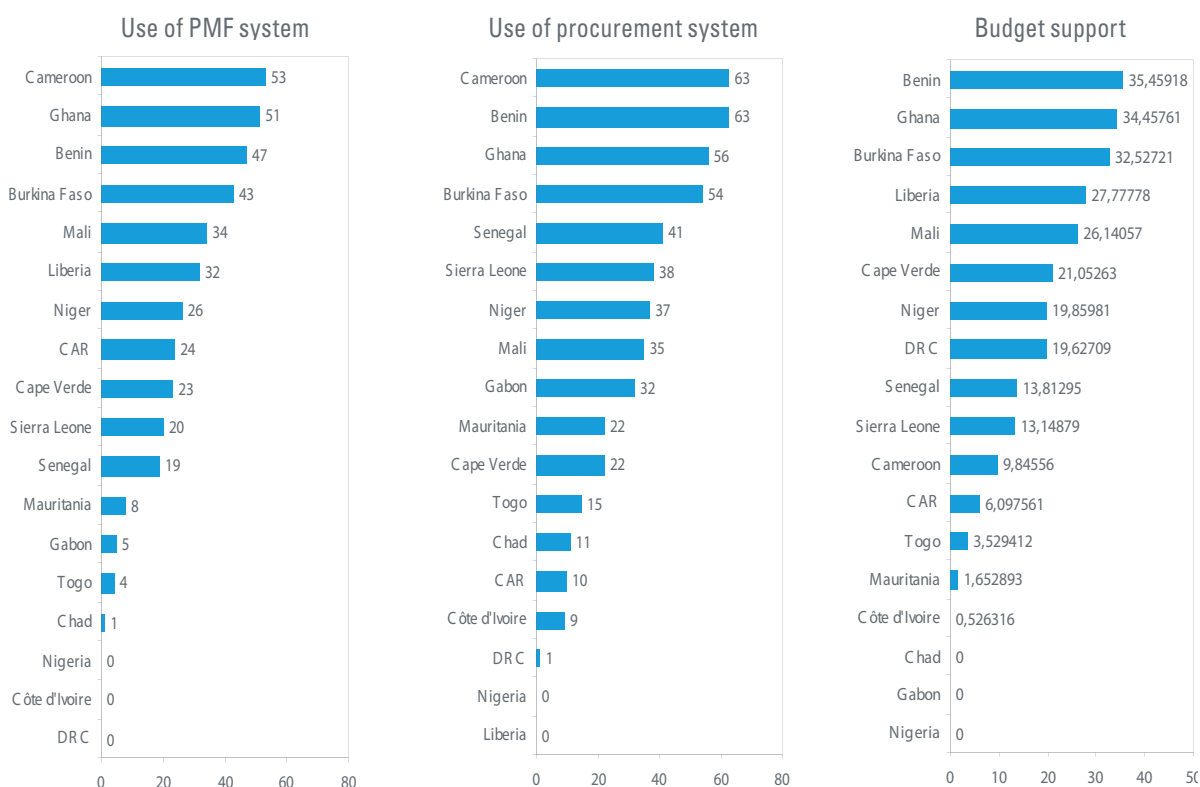
<sup>2</sup> OECD-DAC (2008), Better Aid: 2008 Survey on Monitoring the Paris Declaration.

relief has accounted for most of the increase, which has been concentrated on only half the countries. Some of the poorest countries in the region are 'aid orphans', with the lowest per capita aid flows.

Besides absolute increases in disbursements to the health and education sectors, it is encouraging that both sectors increased their share of total ODA. Some

progress has been made to improve the effectiveness of aid. But, as would be expected, implementation of the Paris Declaration principles has made the most progress in the more stable countries with stronger governance and PFM systems. Progress has been problematic in some of the more fragile states, particularly those affected by conflict or serious governance problems.

**Figure 3. Percentage of gross ODA using country PFM and procurement systems, and as budget support, 2007**



Source: OECD-DAC (2008), Better Aid: 2008 Survey on Monitoring the Paris Declaration.

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