ACET African Center for Economic Transformation

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Mobilizing and Managing External Development Finance for Inclusive Growth: Six Countries' Experiences and Lessons

SYNTHESIS REPORT 2017

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Abbreviations and Acronyms

ACET African Center for Economic Transformation

AEO African Economic Outlook

AfDB African Development Bank

BPEMS Budget Planning and Expenditure Management System (Ghana)

BRICS Brazil, Russia, India, China and South Africa

CAIIP-1 Community Agricultural Infrastructure Improvement Program (Uganda)

CFA Central Finance Agency

CIDA Canadian International Development Agency

CS-DRMS Commonwealth Secretariat Debt Recording and Management System

CSO Civil Society Organization

DAC Development Assistance Committee of the OECD

DAD Development Assistance Database

DfID Department for International Development

DMFAS Debt Management and Financial Analysis System (Uganda and Zambia)

DP Development Partner

DRM Domestic Resource Mobilization

EDF External Development Finance

FDI Foreign Direct Investment

GAVI Global Alliance for Vaccines and Immunization

GBS General Budget Support

GDP Gross Domestic Product

Global Fund Global Fund to Fight AIDS, Tuberculosis and Malaria

GNI Gross National Income

GPEDC Global Partnership for Effective Development Co-operation

HIPC Heavily Indebted Poor Countries

IDA International Development Association

IMF International Monetary Fund

M&E Monitoring and Evaluation

MDAs Ministries, Departments, And Agencies

MDG Millennium Development Goal

MDRI Multilateral Debt Relief Initiative

MFPED Ministry of Finance, Planning and Economic Development (Uganda)

MNDP Ministry of National Development Planning (Zambia)

MTEF Medium-Term Expenditure Framework

NGO Non-governmental Organization

NMCP National Malaria Control Program

NTDA Non-Traditional Development Assistance

ODA Official Development Assistance

ODI Overseas Development Institute

OECD Organization for Economic Co-operation and Development

PAF Performance Assessment Framework

PFM Public Financial Management

PPP Public–Private Partnership

PUFMARP Public Financial Management Reform Program

RBM Roll Back Malaria Partnership

RDB Rwanda Development Board

SDG Sustainable Development Goal

UN United Nations

UNCTAD United Nations Conference on Trade and Development

UNDP United Nations Development Program

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SYNTHESIS REPORT

ACET African Center for Economic Transformation

Executive Summary

The external development finance (EDF) landscape is changing rapidly. Traditional official development assistance (ODA) to Africa is dwindling, but adapting, as China, India, and Brazil emerge as important state players in global finance. Leveraging the opportunities in international capital markets, some African countries have floated sovereign bonds. Philanthropies and private foundations are emerging as major players with new vehicles in development assistance, sometimes bypassing government systems. For developing countries, this emerging landscape brings new opportunities—as well as challenges and risks in meeting their development priorities.

This study assesses how African countries mobilize, allocate, and manage external resource inflows and how they manage relationships with funders—traditional and non-traditional (or emerging state and non-state actors). [1]Six countries were selected for in-depth review: Burkina Faso, Ghana, Rwanda, Tanzania, Uganda, and Zambia. These countries are arguably a fair representation of African countries drawn from different regions and have at least one and a half decades of experience with development partners. The study answers the following five questions presented to a variety of stakeholders, including government officials, traditional and emerging development partners, private sector actors and civil society organizations.

1 How are changes in the development finance landscape affecting the relative importance of ODA and its composition and allocation in countries?

Consistent with global trends, the volume of external development finance[2] has been on the rise in the six study countries. But there has been a shift from traditional development assistance to other financial flows particularly international private capital flows.

ODA remains a critical source of development finance, but it is on the decline and is now a smaller part in all six countries. The general perception among official respondents is that traditional development assistance has not kept pace with changing national priorities. Yet non-traditional development assistance is still only a small share of total development finance, less than 10% in 2014, and relatively stable over the last decade.

The largest contribution has come from international private capital flows, especially foreign direct investment and remittances. And as the share of international private capital flows rise, the terms and conditions are also shifting from concessional to non-concessional financing. But with increasing forays into the capital markets, there is a rising trend in debt-to-GDP ratio in all study countries.

2 How are country systems adapting to ensure efficient mobilization and allocation of development finance?

Countries are proving slow to act. While many have prepared new aid policies or action plans to reflect the changing landscape, implementation has generally been poor, and institutional reforms to accommodate the new policies have been lacking. All study countries have medium- to long-term development plans, however excluding Rwanda, their planning and budgetary processes have reacted poorly to the

1: By traditional donors we mean countries and multilateral institutions that have been longstanding members or participate in the policy and statistical work of the OECD Development Assistance Committee.

Non-traditional or emerging state and non-state actors covers providers of development cooperation who have entered or materially increased their presence in the African sphere over the last decade and a half. This includes China along with the other BRICS Summit members, other new providers such as Turkey, Malaysia, South Korea, Singapore and non-DAC countries such as Taiwan, new vertical funds such as the Global Fund and PEPFAR and multilateral climate funds, including the Green Climate Fund which has just begun operations. It also covers new Foundations such as the Gates Foundation, the Clinton Foundation and the funding provided by CSOs etc. The Gulf States are also considered in this category.

2: By external development finance, we mean a combination of all funds provided directly or indirectly in support of the development agenda of recipient countries. This captures funds from traditional donors, emerging state and non-state actors, as well as international private capital flows and other official flows.

fast-changing landscape. Policies and institutions for mobilizing external development finance have stayed largely the same over the last decade.

The lack of integration of both policies and institutions for managing grants and loans is also a major concern. Policy and legal frameworks for mobilizing development finance have remained largely the same over the last decade, and the weaknesses in current frameworks have become more evident with the changing composition and terms, particularly the lack of provisions for dealing with emerging state and non-state actors. Countries are, however, beginning to review their policies and practices to respond to the changing landscape. Ghana, Tanzania and Zambia for instance are currently reviewing their development cooperation frameworks to effectively respond to the evolving development finance landscape.

Another bright spot is that coordination and dialogue with development partners at the national and sector levels are generally good, and the sector-working group platform seems to be working better than other platforms in most of the countries.

Less encouraging is that some governments seem unlikely to reduce their dependency on ODA anytime soon, and domestic resource mobilization—not a focus of this study—was a recurring concern among respondents. Countries still depend too heavily on ODA and lack clear strategies to reduce their long-term reliance on it to achieve their development goals, even if most of them recognize their need to strengthen domestic resource mobilization. In all the study countries, revenue-to-GDP ratios remained fairly flat over 2005–14 and did not rise beyond 15% in most countries, well below those of East Asia's emerging economies at more than 25% of GDP.

3 How are countries engaging and managing emerging country providers and new non-state actors?

No specific policy or strategy documents articulate approaches or strategies for engaging emerging state and non-state partners, but official documents and reports define expectations and future strategic directions in most countries. Nor are there standards, protocols, or specific structures within government responsible for dealing with the new actors. So although the emerging state partners, particularly China, India, and Brazil, are seen to be more responsive to the countries' economic growth and transformation agendas, dealing with them is just as challenging as with traditional partners.

Poor integration of emerging partners into the development finance architecture at the country level poses fundamental challenges. Government officials acknowledged the different approaches of the new actors, but have yet to establish strategies or procedures for engaging them. Engagements are often ad hoc and sometimes outside the countries' public financial management system.

And exchange with the domestic private sector is limited, often to annual meetings or public-private partnerships, neither of them enabling meaningful consultations or progress.

4 How are traditional donors adapting and aligning their in-country assistance programs in the new environment?

In a few words—not as well as they need to. Traditional partners are ditching general budget support in favor of project aid and some new models of development cooperation, including the trilateral sort, where a traditional donor finances a Southern government to provide development assistance to a third country. Where aid is still being channeled through governments directly, some donors like the UK/DFID have responded to the call for "results-based" aid or financing. Yet general budget support remains the preferred aid modality for recipient countries, followed by sector budget support. But with coordination problems among traditional partners—the platform for coordinating general budget support has broken down—there are no clear directions forward.

With the drop in general budget support, on-budget aid is also on the decline, and not all project aid (on the rise) is on budget. Nor has technical assistance been leveraged enough by countries—it is poorly embedded in the country systems and procedures.

Momentum is lacking in implementing Busan development effectiveness principles for predictability, untied aid, and use of country systems. Tensions exist between representatives on the ground, who want to be more responsive to country needs, and home offices, which tend to move more slowly and can be inflexible.

Several traditional donors recognize their inability to support some of the policy and institutional realignments that countries are undertaking, even if a majority contend that the emerging state and non-state actors have not affected their relations with countries in any way.

Coordination and dialogue with development partners at the national and sector level is generally good, but bringing emerging state and non-state actors into the coordination platforms remains a challenge. And aside from Rwanda, coordination at the district or local level is either ineffective or absent.

With development cooperation systems between the governments and traditional partners becoming less effective, the latter are seeking new models. Some traditional development partners are also increasingly working outside the conventional aid management framework by leveraging opportunities in the international capital markets for financing development directly or through such intermediaries as development finance institutions –blended financing.

5 How are countries using technology to monitor and evaluate development outcomes?

Countries use an array of established aid management information systems, but all have defects in scope and coverage. Three commonly used systems are the Aid Management Platform, Development Assistance Database (DAD), and the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS), but they are not well integrated into countries' public financial management systems due to the lack of a harmonized approach to procuring Public Financial Management (PFM) Systems, information sharing and capacity issues.

Performance assessment frameworks combining policy measures and result or outcome indicators were initially developed for general budget support. Over the years, they were the focus for dialogues on performance between governments and development partners. But as general budget support is losing steam, so are performance assessment frameworks, as they are primarily externally driven.

In all study countries, systems for tracking loans are better established and more frequently updated and monitored than those for grants, which are not well captured or updated.

Accountability and transparency, gleaned from the aid management information platforms, are weak, and governance challenges persist in the use of ODA-related resources. In Ghana, Uganda, and Zambia, a lack of clarity in procedures has created space for malfeasance, including legal, procedural and business loopholes. Often-poor coordination between the prosecuting and investigating institutions makes it hard to secure convictions.

Main lessons from six case studies

Beyond the above questions, the study reviewed six project case studies of development projects, in an attempt to generate deeper insights into why the quality of aid management varies from country to country. Project case studies were undertaken in all six countries, but two project case studies (one successful, one unsuccessful project) from Burkina Faso, Ghana, and Uganda are reported as they had better data.

Alignment with recipient government strategies and programs is a key success factor. Three successful projects—the multi-partner Roll Back Malaria Partnership in Ghana, Burkina Faso's Multipurpose Poverty Reduction Platform, and Uganda's Community Agricultural Infrastructure Improvement Program—were embedded in recipient government development plans. Strong alignment of donor programs and coordinated funding with state-initiated projects can ensure implementation efficiency and sustainability.

But overly ambitious donor-funded projects have a high likelihood of failure. Ghana's integrated Budget Planning and Expenditure Management System was too ambitious in its choice of information technology platform, which required customizing a system used in the business world for use in the public sector.

Mainstreaming implementation of donor-funded projects right from their inception into existing structures, institutions, and systems has been the hallmark of successful and sustainable interventions, as with the Roll Back Malaria Partnership in Ghana, with oversight by the National Malaria Control Program. Regional, district, and sub-district health teams coordinated the activities and ensured effective management.

Multidonor-funded projects require strong recipient government leadership for effective coordination, timely disbursements, and the use of country systems. Burkina Faso's Multipurpose Poverty Reduction Platform shows the importance of government and community leadership.

Strategic and sequenced funding of projects is crucial in executing and completing them. In Ghana, the funding approach under the Roll Back Malaria partnership suggested that targeting significant resources was key in getting the program to scale. Involving the private sector in project implementation also proved cost- and time-effective there.

A lack of confidence in public financial management systems partly explains the donor withdrawal from general budget support to countries. But Rwanda and Burkina Faso show the importance of efforts to strengthen accountability and transparency.

Concluding observations

The emerging landscape and the choices open to recipient countries have implications for engagement in the international aid architecture. Not least, they raise questions about commitments to the traditional principles of aid effectiveness: ownership, alignment, harmonization, and managing for results. They also raise questions about the future of development cooperation among DAC and non-DAC providers, between recipient countries and providers, and about the financing of regional projects and programs. Below, we highlight some key observations and offer some recommendations for recipient governments in Sub-Saharan Africa as well as development partners.

- ***Declining ODA.*** This is a major concern among recipient governments. In particular, the study notes the increasing importance of loan and non-concessional financing. These two phenomena have far reaching macro economic implications for all recipient governments, but more importantly for countries like Ghana and Zambia that recently upgraded to lower middle-income countries, where the drop in ODA has been more precipitous. With weak macro economic fundamentals and increasing access to international private capital, these countries have doubled their debt burden in a spate of less than five years, reducing the fiscal space to finance transformative investments. The challenge going forward is how to efficiently manage and leverage the declining grant resources to ensure better development outcomes. Two questions worth posing: Can recipient governments rely on domestic resources alone to close the public investment gaps? How can ODA be leveraged to boost capacity for DRM?
- ***Growing importance of non-traditional state and non-state actors.*** Funding from non-traditional state and non-state actors is growing, though still a small component of External Development Finance; but their approaches are sometimes at variance with those of traditional donors. Managing these relationships has been an on-going challenge for recipient governments as well as traditional donors. And, as noted in the study the development cooperation systems between governments and traditional development partners are becoming less effective. Is there a case to be made for a common aid platform at the country level? How can the dialogue between DAC and non-DAC donors be improved to support country transformation objectives?
- ***The emergence of new development cooperation models.*** At the country level, traditional development partners are realigning their assistance to the market and exploring new development financing mechanisms: partial risk guarantees, Development Finance Institutions, development funds etc. Some donors are introducing the Trilateral Development Cooperation model to which Rwanda has been receptive. The question is how will governments organize themselves to better coordinate and manage the plethora of options and ensure suitability for purpose?
- ***Weak public investment managemen***t. Public expenditure management is a major concern. At the country level, the study notes the weaknesses in public investment management. With the exception of Rwanda, planning and budgetary processes are weak and have not significantly evolved to respond to the changing external development finance landscape. Institutional fragmentation and poor delineation of functions within governments stifle efficient allocation and management of public finance. Planning and execution processes that in practice evolved essentially in sector ministries, departments, and agencies, lacked strategic direction, and produced unrealistic plans and budget requirements. The PFM initiatives introduced in the 1990s have not delivered the intended outcomes because of basic design and ownership problems. The question is, how should governments organize themselves to achieve this objective?
- ***Challenges with monitoring and evaluation systems.*** The study revealed weaknesses in data gathering and reporting systems. The narrow scope and coverage of most of the data gathering and management platforms and in particular, the weak interface or the lack of it with the PFM systems, require further review.

Recommendations

- ***On declining ODA***, recipient Sub-Saharan Africa (SSA) governments should take advantage of new parameters for development finance that have emerged in the context of the post-2015 outcomes. Notably, the Addis Ababa Action Agenda that sees the range and composition of development finance as evolving rapidly beyond the ambit of ODA in the areas of DRM (taxes and financial markets); non-concessional development bank finance (domestic, bilateral, and multilateral); FDI; and actions to arrest illicit capital flows (including via international tax cooperation). Alongside the Action Agenda, major emerging initiatives are underway—or soon will be—that underline the need to find ways to approach and manage External Development Finance strategically, including to increase infrastructure financing via the G20 and a new Global Infrastructure Connectivity Alliance Initiative to map out future infrastructure networks around the world (**Annex 3**). The Paris Agreement on Climate Change brings another set of financial instruments to the table.

- ***On donor coordination***, it is evident that having a single coordinating body at the global level is becoming increasingly intractable. Instead, the practice of development effectiveness should revolve around the recipient government's processes and capacities. The Rwanda experience is instructive; recipient countries will have to be more strategic in sourcing and managing external financing for development. They should make their own strategic choices and manage the donors strategically at project implementation level and district/provincial level where information and priorities are shared and learning and dissemination processes are scaled up across the country.

- ***On public investment management***, in response, recipient governments should have a well-articulated public investment program with adequate capacity for implementation. The program needs to: (a) be based on a set of strategic priorities, which provides an overall framework for national expenditure planning and budget execution and evaluation, with a project list that reflects sector strategy and some preliminary rate of return analysis, which is then actively marketed among donors and private sources; and (b) bring all development partners and financial categories into an integrated framework. Uganda and Ghana have initiated public expenditure management assessments using the IMF public expenditure assessment framework.

- ***On Aid management information systems***, adopting a single data gathering and reporting platform or harmonizing the scope and coverage of the various aid management platforms to ensure comparability of data is essential. This should be a collective effort by all stakeholders led by the recipient governments.

1. Introduction

1

The external development finance (EDF) landscape is changing rapidly. Traditional official development assistance (ODA) [1] to Africa is dwindling, but adapting, as China, India, and Brazil emerge as important state players in global finance. Leveraging the opportunities in international capital markets, some African countries have floated sovereign bonds. Philanthropies and private foundations are emerging as major players with new vehicles in development assistance, sometimes bypassing government systems. For developing countries, this emerging landscape brings new opportunities—as well as challenges and risks in meeting their development priorities.

The second High-level Meeting of the Global Partnership for Effective Development Co-operation held in Nairobi, Kenya from 28 November to 1 December, 2016 affirms that today's "development co-operation encompasses a broad area of international action featuring several financial and non-financial modalities, including financial transfers, capacity-building, technology development and transfer on voluntary and mutually-agreed terms, policy change (for example, to ensure coherence of domestic policies and help to address global systemic issues) and multi-stakeholder partnerships."[2]

The present study was commissioned to review and assess recipient-country experiences in the emerging EDF landscape—more broadly, to analyze how they mobilize, allocate, and manage the variety of external resource inflows and how they manage relations with providers; and to draw lessons, first, to help improve country-level practices of national authorities and providers, and second, to contribute to the post-2015 conversation on international development finance. Funded by a research grant from the Bill & Melinda Gates Foundation, it draws on a desk review; on surveys of and interviews with government officials, and with staff ("respondents") at traditional and emerging development partners (DPs); and on other fieldwork, all of which fed into country reports that became the basis for this synthesis report (**Annex 1**). The situational analysis of the study countries can be found in **Annex 2**.

1.1. Context of study

The rationale for the study is that the sources and mechanisms of External Development Finance are changing fast and there is a need for a better understanding of the dynamics at the country level to inform policy and reforms. For example:

- Traditional ODA, though remaining a critical resource for many countries, is slowing in countries that need it most.[3] It has been undermined in part by failures of rich countries to meet the United Nations (UN) target to provide 0.7% of their gross national income (GNI) as aid, partly due to a slowdown in economic growth and tightening budgetary constraints in donor countries. The practices of traditional donors are also changing.[4]
- Emerging economies—notably Brazil, China, India, Russia, Singapore, South Africa, Taiwan (China), and the Arab States—have ramped up their supply of finance, in part connected to the commodity boom and related interests and investments, but with increasing awareness of the importance of the recipients' structural economic transformation. China's aid and investment support is directed at helping transformation via modern transport and communications networks and industrialization, both attracting attention and generating contentious debate.[5]
- Increasing numbers of non-state actors (international philanthropists, such as the Bill & Melinda Gates Foundation, Rockefeller Foundation, and The MasterCard Foundation) see aid as more than just financial assistance, but as a means to increase the supply of global public goods and to improve human development.[6]
- A major international cooperative effort to stem illicit financial flows and tax evasion/avoidance is gathering steam. Some African countries have begun to leverage this agenda to capture leakages from their tax systems.
- Today's average developing country has greater access to non-government sources of external resources and to private finance.

- Growing rapidly is the opportunity for developing and emerging countries to support each other through instruments of South-South cooperation.
- Direct-giving channels and social impact investing are opening new financing options.[7]
- Rising shares of EDF are bypassing government systems.
- In the recent past, an opportunity for African countries to issue Eurobonds beckoned, with improved macroeconomic balances, rising commodity prices, falling sovereign debt, and low global interest rates. Once these conditions fade this option becomes more problematic.

The diversity of EDF is seen in **Table 1**.[8]

1.2 Previous studies

The changing External Development Finance landscape and what it might mean for developing countries has already stimulated published analysis. In anticipation of the launch of the Sustainable Development Goals (SDGs), the *Development Cooperation Report* (2014) posed the question: "What can be done to mobilize the resources needed to finance the achievement of these [SDGs]?" From the recipients' perspective, Zimmerman and Smith (2011) remarked that "the most pressing question ahead of the 2015 UN meetings…is whether developing countries will be able to take advantage of new sources of funding and ideas." Greenhill and others (2013) added that, "the ability of countries to benefit from the changed landscape depends heavily on their ability and willingness to manage these flows strategically, and also on their economic and political context."

In 2014, the Organization for Economic Co-operation and Development (OECD) produced a study, *The New Development Finance Landscape: Developing Countries' Perspective*, using Ghana, Senegal, and Timor-Leste as case studies. The Overseas Development Institute (ODI) in 2016 produced a report, *An Age of Choice for Development Finance: Evidence from Country Case Studies.* Also in 2015, the Asia–Pacific Development Effectiveness Facility (AP-DEF) produced a paper, *Dealing with Complexity*:

Table 1: Diversity of external development finance

Traditional development assistance	Non-traditional development Assistance (NTDA)	Other external resource inflows
• Traditional donors' (OECD–DAC) bilateral cooperation: grants-in-aid, concessional and non-concessional loans • Traditional multilateral cooperation—World Bank, IMF, regional development banks • Arab funds	• Non-DAC country flows including South–South Cooperation • Climate change funds • Private philanthropy foundations and NGOs • Social impact investing	• Export credits • Workers' remittances • Private capital inflows, including FDI, portfolio investment, and Eurobonds

NOTE: OECD = Organization for Economic Co-operation and Development; DAC = Development Assistance Committee; BRICS = Brazil, Russia, India, China, and South Africa; FDI = Foreign direct investment; IMF = International Monetary Fund; NGO = Non-governmental organization.

How Governments are Managing Financing for Sustainable Development.[9] This study synthesized lessons from three Asia–Pacific Countries: Lao People's Democratic Republic, Papua New Guinea, and Vietnam.

The scope of these studies was similar to the current study's, with key differences. The OECD study focused beyond ODA but did not cover all sources, and while the ODI and Asia-Pacific Development Effectiveness Facility (AP-DEF) studies covered all sources, they focused on providing analytical frameworks and tools to help develop and support aid and development finance strategies at country level.

Drawing on these frameworks and tools, this study provides a complement by reviewing, through a recipient-country lens, traditional and non-traditional ODA and more specifically focusing on how national institutions and coordinating mechanisms are evolving in the new landscape (see **Figure 2**).

1.3. Objectives and scope of study

The objectives of this study are to review and assess country experiences, examining how these countries mobilize, allocate, and manage external resource inflows; what they have been doing; and what they must consider, with development partners (DPs), to maximize their development opportunities and outcomes for inclusive growth and transformation. The study considers each country's engagement with providers. All these aspects are addressed via the following five groups of questions:

- How have countries accessed EDF in the past decade? Notably, how are changes in the EDF landscape affecting the relative importance of ODA and its composition and allocation at country level?
- How are country systems (institutional structures, processes, and coordination) adapting to efficiently mobilize and allocate EDF and ensure financial sustainability? This requires analysis of changes in country policies and strategies in mobilizing external resources, in in-country planning/budgetary processes and institutional arrangements, and coordination of inflows.
- How are countries engaging and managing emerging state and non-state actors? This involves a review of the partnerships in development cooperation with the actors, strategies of engagement, and any special units or agencies dedicated to negotiating with these new actors.
- To what extent are traditional donors adapting and aligning their in-country assistance programs in the new EDF environment? How are their programs changing from short-term poverty reduction, human development, and technical assistance to better align with country economic transformation agendas?
- How are technology platforms enhancing the availability, quality, and timeliness of data that will underpin stronger management, monitoring and evaluation (M&E), and systems of accountability and transparency?

1.4. Conceptual and analytical frameworks

The study's conceptual framework is taken from Greenhill et al (2013), as adapted by them from Fraser and Whitfield (2008). It recognizes that mobilizing and allocating development resources entails ongoing negotiations between recipients and providers. As outlined in **Figure 1**, these negotiations are intended to enhance:

- Volume of External Development Finance available to country governments
- Predictability of External Development Finance inflows
- General terms and conditions, including concessionality
- Sectorial priorities in use of External Development Finance
- Alignment of the sources of finance with different development needs and projects (i.e. alignment between providers' preferences and country development priorities)
- Country ownership of the development process
- Application of the new international tax cooperation agenda to capture tax leakages
- Development dialogue and its platforms, i.e. working effectively to achieve the intermediate targets and priorities, and ultimately the development outcomes.

Building on the Greenhill et al (2013) analytical framework, **Figure 2** goes a step further to highlight for each country the role of intragovernmental coordination in mobilizing and allocating resources; the relations among providers; and how these relations influence resource allocation:

- ***Intra-agency coordination*** [1]: coordinating among country institutions in accessing external finance and using it for its development program
- ***Country government relations with providers*** [2], [3], and [7]: delivering development assistance effectively
- ***Inter-donor relations****:* acting [4] within the group of traditional providers, [5] within the group of emerging state and non-state actors, and [6] between the traditional and the new groups of donors
- ***Watchdog agencies****:* [8] ensuring accountability by monitoring the policies and practices of governments and donors within the aid effectiveness framework at country level.

1.5 Methodology

Six countries were selected for in-depth review: Burkina Faso, Ghana, Rwanda, Tanzania, Uganda, and Zambia, based on the following criteria:

- Importance of EDF for the country (for example, the share of EDF in the budget or GNI);
- History of key engagement by traditional donors with different delivery mechanisms, including budget support and project aid;
- Growing presence of key non-traditional official donors (including the importance of South–South cooperation and major philanthropists);
- Rising importance of natural resources that enhance the prospects for domestic resource mobilization (DRM) and that may also affect government–donor relations; and
- A fairly well-articulated medium- to long-term transformation strategy.

Although only six countries, they are arguably a fair representation of African countries with development experience in the past decade and a half, and are drawn from different regions. **Annex 2** provides the detailed analysis of the political and economic background of the study countries.

Each country study consists of two parts: primary data (structured interviews) and secondary data collected to address the five key questions above; and a review of two case studies prepared by country research teams of recent development projects, with a focus on the mechanisms for project selection, recipient–donor relations, project negotiations, implementation design, policy learning, and internal coordination within government systems. The case studies were designed to go beyond discussions based on aggregates that often mask country context to the realities of project processes where success in aid management is ultimately determined. See **Annex 1** for detailed approach to the study.

A multi-country/multi-stakeholder partnership approach was adopted in each of the six countries. The African Center for Economic Transformation (ACET) leveraged in-house capacity by partnering with in-country research institutions and individual researchers who led the analytical work at the country level. They conducted the in-country primary and secondary data collection and analysis, and produced the country studies. ACET provided the overall strategic and intellectual leadership, defining the analytical/conceptual framework and methodology, and coordinated the work to ensure comparability, coherence, and quality. In-country validation workshops, jointly organized by ACET and the country research teams, completed the data collection stage. ACET then put together this synthesis report, which has been externally peer reviewed.

The study is organized in three phases: Phase 1 involved all the activities leading to and including the inception meeting held in May, 2015 in Accra. Phase 2 covered the country data collection and preparation of the final country reports in 2016. Phase 3 covered preparation of this synthesis report and dissemination of findings.

Figure 1: Conceptual framework

Development outcomes

- Strong socioeconomic and political governance institutions
- Improvements in MDGs/SDGs
- Physical infrastructure,
- Social infrastructure: education, health, water, and sanitation
- Improvement in aid effectiveness.

Implementation: Tools and intermediate targets

Tools: Budget design, implementation, monitoring and evaluation.

Intermediate targets: Transformation orientation of budget allocations, timely completion of projects; quality of projects; and quality of accountability for external/project resources.

Resource mobilization: Intermediate targets

Volume of external resource commitments, timeliness of delivery, predictability, alignment, fragmentation, harmonization, terms and conditions of resource inflows.

Government provides platform for engagement via negotiations – Bilateral, sectoral, or multi-donor budget support.

Key Factors

Recipient

Country government

- Country development plan
- Aid management policy/strategy, institutions, processes, and coordinating mechanisms for external resource mobilization, and project/program implementation.

Sources

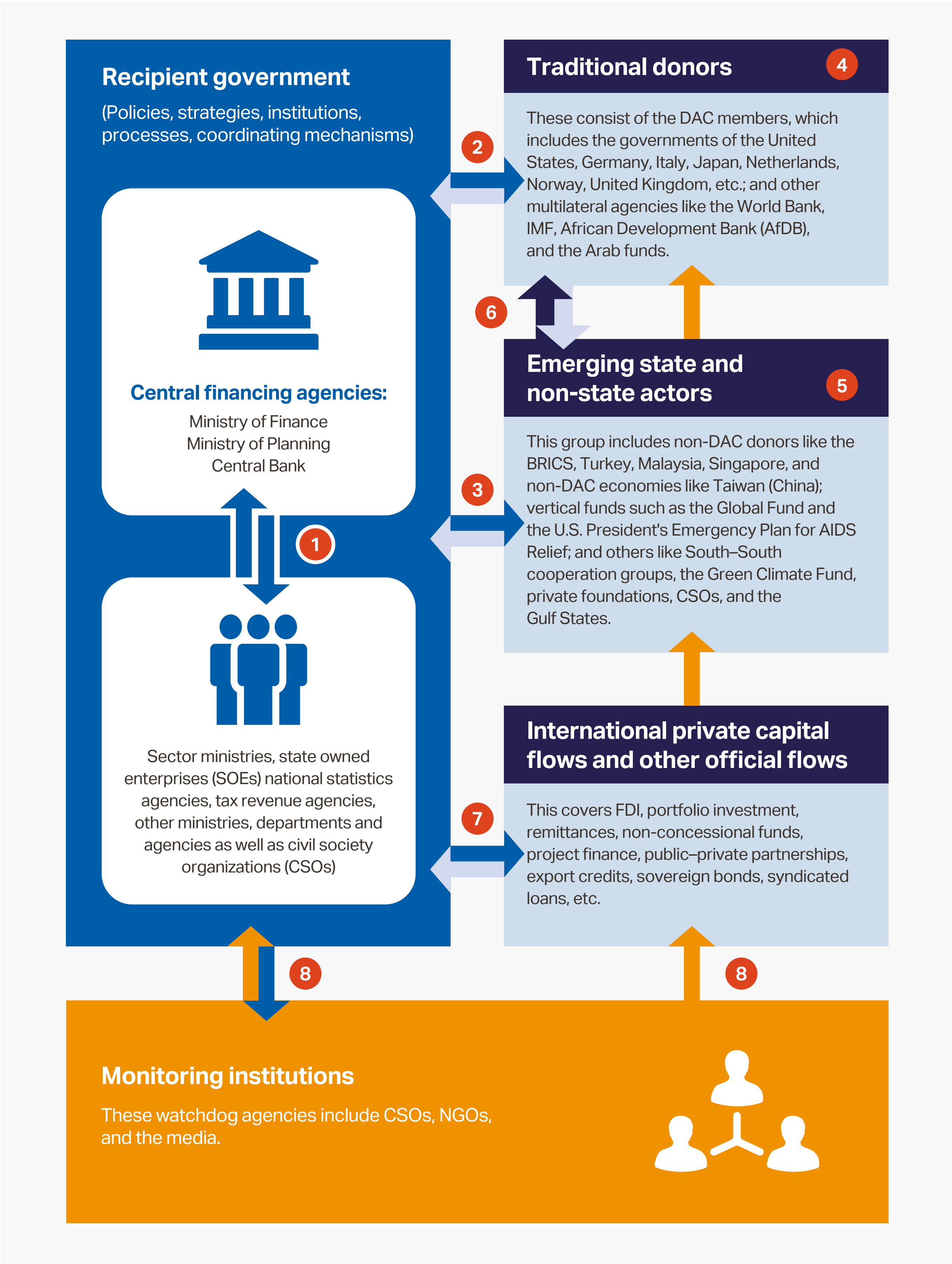
State actors

- Traditional donors —OECD–DAC
- Non-DAC donors including South–South cooperation groups.

Non-state actors

- Philanthropic organizations, foundations, and NGOs
- Private capital flows.

Figure 2: Analytical framework: Country-level external development finance relations and management



2. Study findings

2

This section synthesizes combined results of the structured interviews and secondary data analysis from the six countries, focusing on the five central questions in section 1. External development finance refers to the three components in **Table 1** and **Figure 2**. The analysis covers the 10-year period 2005–14, with 2014 the latest year with up-to-date comparable data.

2.1 The evolving development finance landscape

Focusing on data, this section explores how changes in the EDF landscape are affecting the relative importance of traditional ODA and the composition and allocation of ODA in the six countries, and how that is influencing their development priorities. It reviews the amount and relative size of EDF inflows; the terms and conditions of development resources; how well EDF is aligned with country national plans; and whether different external sources are best suited for varying development priorities.

2.1.1 Volume, trend, and composition of EDF

EDF is still important for development

Consistent with global trends, the volume of EDF has been on the rise in the six study countries (**Figure 3**). Ghana and Tanzania have been the major recipients and recorded the highest year-on-year increase. Burkina Faso and Rwanda received the least of the six countries in 2005–14—the increases were very modest and in Rwanda remained almost flat over the last five years. As a percentage of GNI since 2007, EDF for the six countries has remained quite stable, at 18–22% of GNI on average **(Figure 4**). This share is, however, higher than that of domestic revenue in GNI, which is less than 15% on average in the six countries, reflecting the continuing importance of EDF for development.

Despite a shift from traditional ODA, it remains important

There was an increasing shift from traditional ODA to other financial flows, particularly international private capital and non-traditional development assistance (NTDA) (**Figure 5**). All the countries recorded declines in traditional ODA. The biggest falls were in Ghana (61 percentage points) and Zambia (47 percentage points); and the smallest in Tanzania (14 percentage points). These variations largely reflect the relations between each recipient country and its traditional donors, especially bilateral donors, though the overall trend reflected emerging global patterns (below).

ODA remains a critical source of external development finance, even if on a declining trend in all six countries **(Figure 6**). This is because ODA still remains the lead funding source for the critical sectors of education and health in most of these countries. In Ghana, net ODA as a share of GNI declined from 10.9% in 2005 to 2.8% in 2014; in Zambia from 15.2% to 3.9%; in Rwanda from 23.8% to 14.8%; in Uganda from 13.6% to 7.3%; and in Burkina Faso from 12.74% to 8.9%. These trends match the global trend observed in Prizzon et al. (2016).

Private capital flows—mainly FDI and remittances—were the major contributors to EDF growth

Again on a par with global trends, the largest contribution to EDF growth in the six countries came from international private capital flows, mainly FDI and remittances. With the steadily growing desire to borrow for major infrastructure projects, governments are turning attention to a raft of funding instruments and mechanisms, including Eurobonds, diaspora bonds, investment funds, and public–private partnerships (PPPs). In Ghana, Zambia, and Uganda by 2014 the share of international private capital flows in total EDF exceeded that of traditional ODA: Ghana (82%), Zambia (63%), and Uganda (53%) (Figure 7). The other three countries also recorded sharp increases, although traditional ODA was still dominant.

Among the types of funding, FDI surged, becoming a major source for bridging the investment gap. In Ghana over 2007–13, it increased at a compound annual growth rate of more than 50% and in Rwanda by 54%. Following the global rebound from the Great Recession and transition of countries to low and middle-income countries (LMIC) status, rapid economic growth, growing middle class and political stability, similar trends were recorded in the other study countries.[10]

For all countries, remittances more than doubled over the last decade. Ghana,[11] Uganda,[12] and Rwanda are designing instruments such as diaspora bonds, to channel these flows in a structured way to foster entrepreneurship, support innovation, and develop priority economic sectors.

The study countries are also putting in place legal and policy instruments to guide investment funds and PPPs, but most face capacity and institutional coordination challenges. Rwanda's approach offers some useful lessons in PPPs: it uses public funds as "patient capital" on projects with a negative short-term commercial return but a positive medium- to long-term socioeconomic outlook. The Rwanda Development Board provides a one-stop shop to facilitate activity by foreign and domestic firms and individuals wanting to invest in the private sector.

Through 2016, the issuance of Eurobonds was on the increase. Ghana and Zambia are among the African countries that have floated the most over the last four years—five Eurobonds in Ghana and three in Zambia—but neither has strategic documents assessing the risk and options of accessing international capital markets. Rwanda has issued Eurobonds just once, mainly to invest in the Kigali Convention Centre and a hydro project, and to pay off more expensive debt. Burkina Faso and Uganda are yet to issue a sovereign bond and there are no indications they will do so in the near future. In Uganda, while the government recognizes sovereign bonds as a potential source of income, it considers them expensive, and issuing them may raise public debt to unsustainable levels. And Tanzania, while it has not issued Eurobonds, has accessed other forms of private capital.

NTDAs constitute a small part of total EDF

Non-traditional development assistance[13] forms a small share of external development finance, at less than 10% in 2014, and has been quite stable over the last decade (**Figure 8**).[14] Emerging state actors, such as China,[15] India, Brazil, and the Gulf States, account for over 80% of NTDA flows to the study countries. Small in volume overall perhaps, but the emerging state actors' areas of intervention are rapidly changing the composition, terms, structure, and scope of the external development landscape. Resources from them are primarily in the form of loans, targeting infrastructure investments and private sector support.

Non-state actors, including private foundations [16] and philanthropies, NGOs, and civil society organizations (CSOs), are emerging, but still constitute only less than 3% of total external financial flows. [17] They provide grants primarily, but their delivery modes are primarily outside country systems. "Vertical funds" (like the Global Fund to Fight AIDS, Tuberculosis and Malaria; GAVI, the Vaccine Alliance; and the Green Climate Fund), international private foundations, and South–South Cooperation have also become important in the six countries.

South–South Cooperation is more focused than ODA on economic and productive sectors, and on trade and investment in the study countries

Ghana is strengthening ties with emerging state actors. China has become a major DP in the last decade; India, Brazil, and Turkey are also strengthening economic ties. Other state actors include Russia, Saudi Arabia, South Africa, Turkey and the United Arab Emirates. Also present are vertical funds like the Global Fund, GAVI, international foundations, and NGOs providing mainly grants. China is the largest non-traditional partner providing grants and commercial loans at preferential terms through state-owned China Development Bank (CDB) and Industrial and Commercial Bank of China (ICBC). Of a $3 billion Master Facility Agreement (MFA) signed with the China Development Bank in 2011, $750 million was allocated to finance a gas plant; the undisbursed balance was canceled due to lack of bankable projects. India is financing investments in agro-processing (a sugar factory and fisheries), and Brazil is making infrastructure loans for urban roads.

Although Burkina Faso has maintained development cooperation with economies like Taiwan (China) and India for decades, the importance of non-traditional partners has been limited by the glaring absence of China. The volume of funding is small, at less than 4% of total ODA from Taiwan (China) and less than 1% from India. Very little is known about bilateral cooperation. That with Brazil is embryonic, and the figures are too small to record. Burkina Faso also benefits from funding from GAVI, the Global Fund, and the Bill & Melinda Gates Foundation.

Of the six countries, Rwanda has the largest share of NTDA in external development finance (averaging 6% in 2005–14). The Global Fund is the largest source, accounting for more than three-quarters of NTDA in the period. China is the second largest, at 13%, with India, Republic of Korea, and Kuwait providing a combined 6% of external development finance. Chinese grants to Rwanda between 1971 and 2011 totaled $170 million, and after 2004 about $115 million, was invested in 39 projects.[18] India has cooperated with Rwanda in the public and private sectors, mainly in education, health, and small and medium enterprises in science and technology, and has accorded preferential loans for hydroelectric projects and tele-education centers. Kuwait's assistance has been primarily as loans through the Kuwait Fund for Arab Economic Development.

Tanzania has had long-term ties with non-traditional and emerging donors such as China and India even before they started providing development assistance to the country, which has been primarily through project financing and concessional loans.

In Uganda over the last five years, the government has increasingly focused on borrowing from non-traditional partners for huge infrastructure developments and industrialization. China has been the key partner: in 2014/15 and 2015/16, Parliament approved a $1.96 billion and a $2.2 billion non-ODA loan from China for public investments, including the construction of Karuma and Isimba hydro dams and the Entebbe Expressway; payment terms are relatively flexible. The focus on non-traditional partners was triggered by a marred relationship with major traditional donors like the World Bank, which suspended $1.5 billion of loans meant for critical agriculture, health, and infrastructure projects in 2016 due to lack of absorptive capacity, accountability issues, and non-compliance with standards.[19]

Zambia's NTDA has been mainly from China, Cuba, India, and Middle Eastern countries. External development finance from non-traditional donors is seldom included in national accounts other than loans. China is the largest external development finance source, providing support like commodity aid, cash grants, and concessional finance. Landmark infrastructure projects, such as the 1,000 km Tanzania–Zambia Railway and the 670 km Lusaka Mongu road, were built with China's direct financial support.

Relations between Zambia and its non-traditional bilateral partners are not as transparent as those with its traditional partners, especially for obtaining data and information on their development cooperation (they do not publish reports). DAC member countries were reluctant to provide ODA due to the government's socialist policies that stifled market competition. But the adoption of market-based reforms under IMF–World Bank supervision in the early 2000s led to reengagement with DAC member countries.[20] Direct financing support from China is low, at less than $30 million over the last five years. Commodity aid, which is not quantified in value terms has, however, been high and extended to cover infrastructure. China's Exim Bank is now a major source of loans for Zambia, from about $14 million in 2010 to more than $1 billion now. (A $260 million facility is also under negotiation.)

Figure 3: Total EDF flows by country

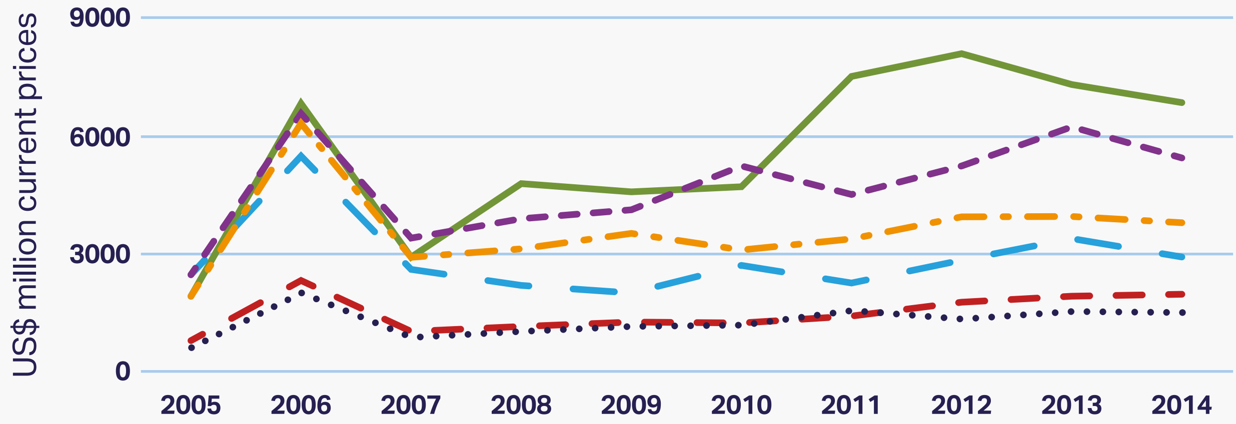


Figure 4: Share of EDF in gross national income (%)

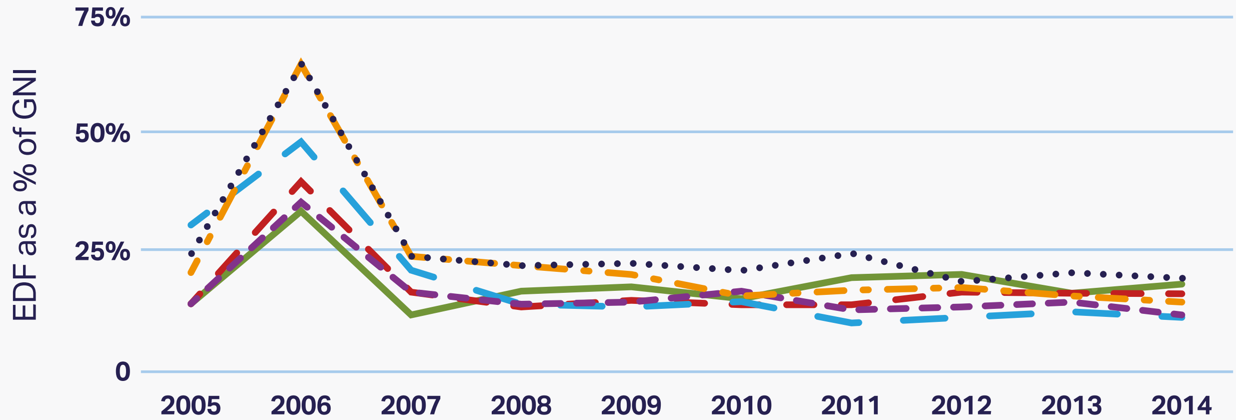
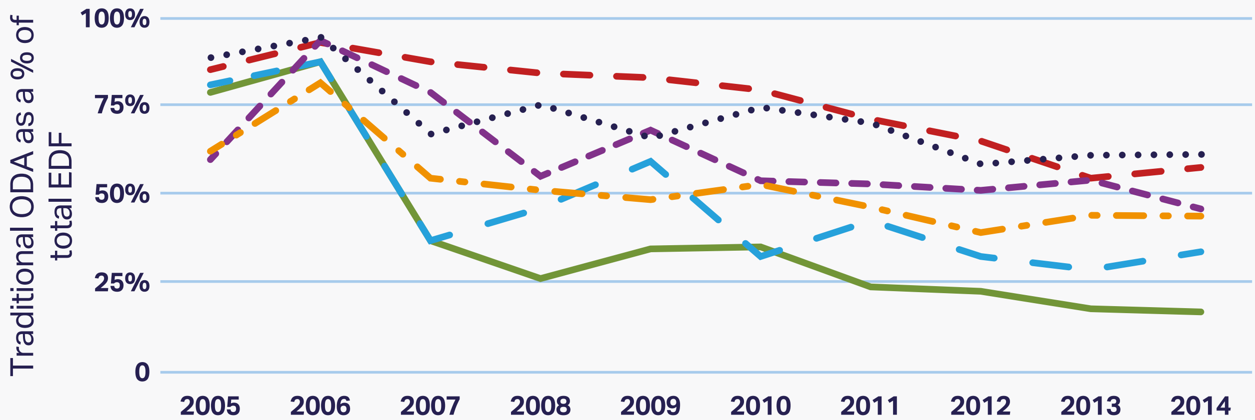


Figure 5: Share of traditional ODA in total EDF by country (%)



KEY: Burkina Faso, Ghana, Rwanda, Uganda, Tanzania, Zambia

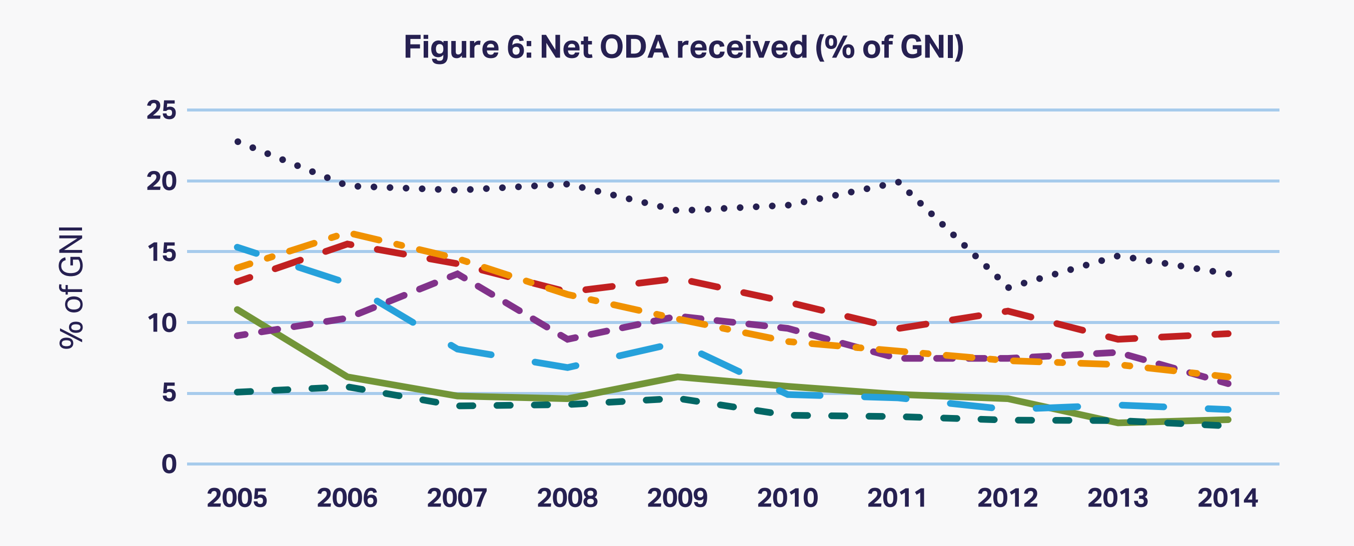


Figure 6: Net ODA received (% of GNI)
% of GNI
25
20
15
10
5
0
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014

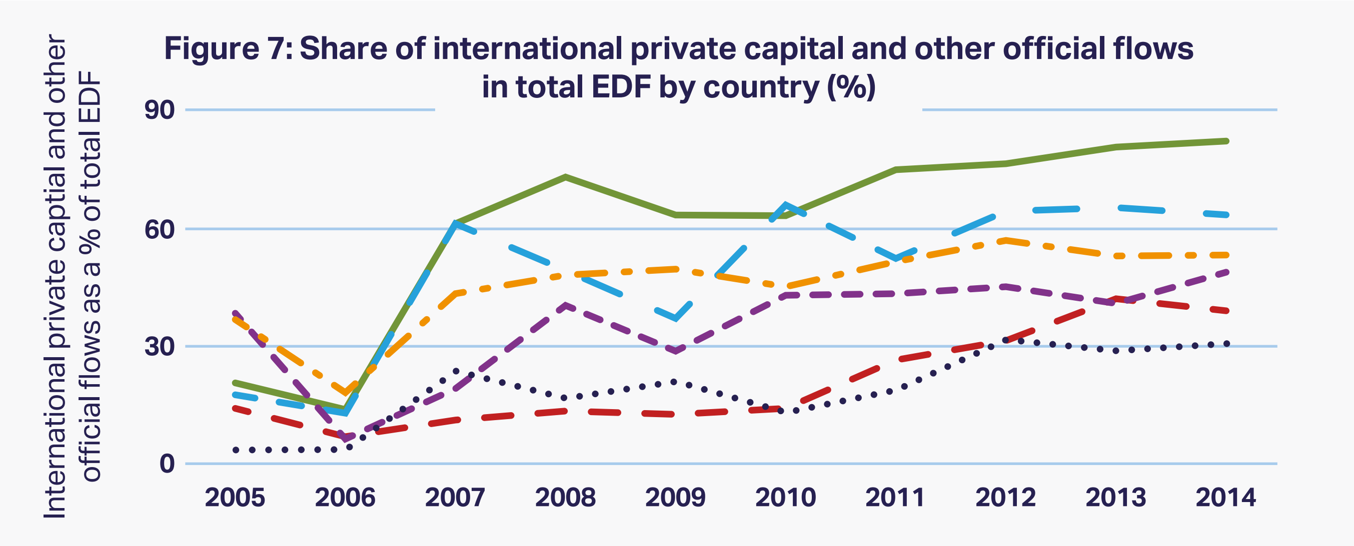


Figure 7: Share of international private capital and other official flows in total EDF by country (%)
International private captial and other official flows as a % of total EDF
90
60
30
0
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014

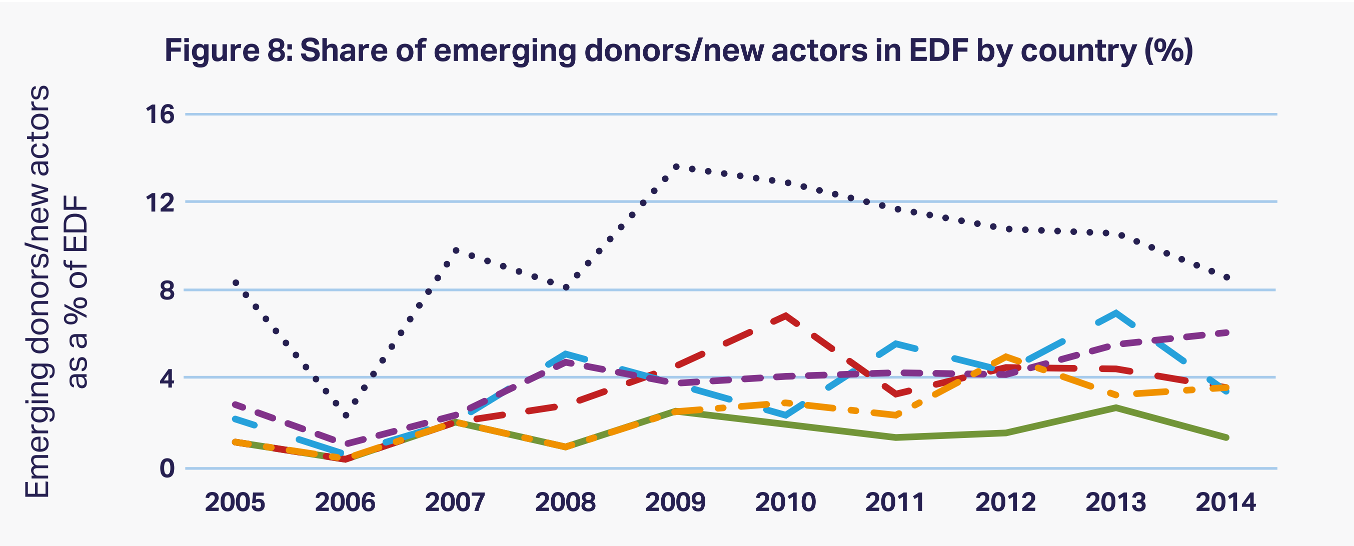
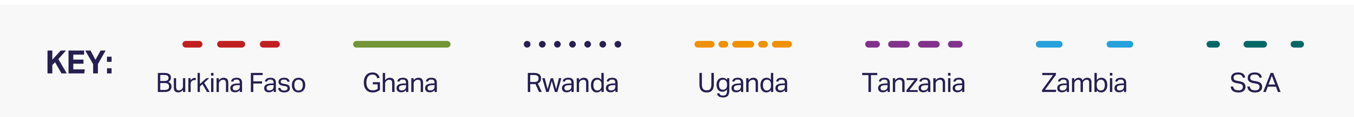


Figure 8: Share of emerging donors/new actors in EDF by country (%)
Emerging donors/new actors as a % of EDF
16
12
8
4
0
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014


KEY:
Burkina Faso
Ghana
Rwanda
Uganda
Tanzania
Zambia
SSA

2.1.2 Terms and conditions of external development finance

Terms and conditions are shifting from concessional to non-concessional financing

The rising volume of FDI, Eurobonds, and remittances etc. is beginning to tilt the scale in favor of loans. This trend is, however, more evident in Ghana and Zambia, where concessional financing as a ratio of total external debt has been below 50% (41% in Ghana and 33% in Zambia) and has remained relatively stable over the study period (**Figure 9**). The two countries, which have upgraded to lower-middle-income status, show perceptible increases in the loans because loans are a larger part of financing from most non-DAC/ODA bilateral resources from Brazil, China, and India.

With regards to ODA, however, grants remain the largest component (over 70%) in the six study countries, although declines are perceptible in Ghana and Tanzania, where the share of grants in total ODA has been declining, although they still constitute almost two thirds of total ODA. In Burkina Faso and Uganda, grants as a share of ODA has been very high and fairly stable over the study period (**Figure 10**), and concessional debt as a share of external debt for these two countries is well over 70%. (Figure 9). The overall impact of these financing modalities on EDF terms and conditions has, however, been modest.

Growing debt sustainability challenges

Making deeper forays into capital markets, all the study countries show rising trends in their government debt-to-GDP ratios (**Figure 10**), and unless properly managed, their debt burdens risk reaching unsustainable heights. Slightly over a decade after the Heavily Indebted Poor Countries (HIPC) initiative and the Multilateral Debt Relief Initiative (MDRI), the public debt as a share of GDP has almost doubled for Zambia and Tanzania and almost tripled for Ghana. From around 30% in 2006 (26% in Ghana, 27% in Zambia, and 33% in Tanzania) to over 50% by 2014 (73% in Ghana, 53% in Zambia, and 41% in Tanzania). A wider situational analysis of the study countries is in **Annex 2**.

Ghana exhibits symptoms of high debt distress, while Tanzania and Zambia show moderate levels[21] but are at risk on current trends. The debt policy ratings of the World Bank Country Policy and Institutional Assessment[22] indicate a weak debt management strategy for Ghana (3.0) and Zambia (3.5), and moderate strategies for Uganda (4.5), Rwanda (4), Burkina Faso (4), and Tanzania (4), suggesting that all six should minimize budgetary risks to ensure long-term debt sustainability, especially given rising borrowing costs in the capital markets. The year 2016 already saw a drought in bond issuance, with Ghana the only African country to float one, largely reflecting growing market risk.[23]

2.1.3 Alignment of EDF resources with country development priorities

Most government respondents feel that traditional ODA has not kept pace with changing national priorities

The last five years have seen major shifts in the development priorities of the six countries, from the historical focus on poverty reduction and on social and governance interventions,[24] to infrastructure and private sector development. Traditional partners have generally focused on the former, and while these areas are still priorities, respondents indicate that the quest for the latter has influenced nearly all their governments' strategies. As suggested by a recent ODI study[25] and corroborated by this study, non-DAC donors are better aligned with these new national development priorities.

Governments in all six countries view infrastructure as a priority when mobilizing EDF, setting up infrastructure investment funds and PPPs to attract private financing. In Uganda, to take advantage of funds from emerging partners like China to finance large infrastructure projects, the government has a Contractor Facilitated Financing Framework, which is piloting projects. In Ghana, the Infrastructure Investment Fund established in 2014 seeks to plug such funding gaps.

According to traditional DPs in the study countries, all assistance can be justified under the development matrix as the national development plans lack clarity and strategic focus. Further, changing priorities midstream, delays in the execution of agreed programs, and failure to provide counterpart funding contribute to misalignment. DPs note that loans are better aligned than grants as they are incorporated into national budgets and approved by national parliaments.

Figure 9: Concessional debt

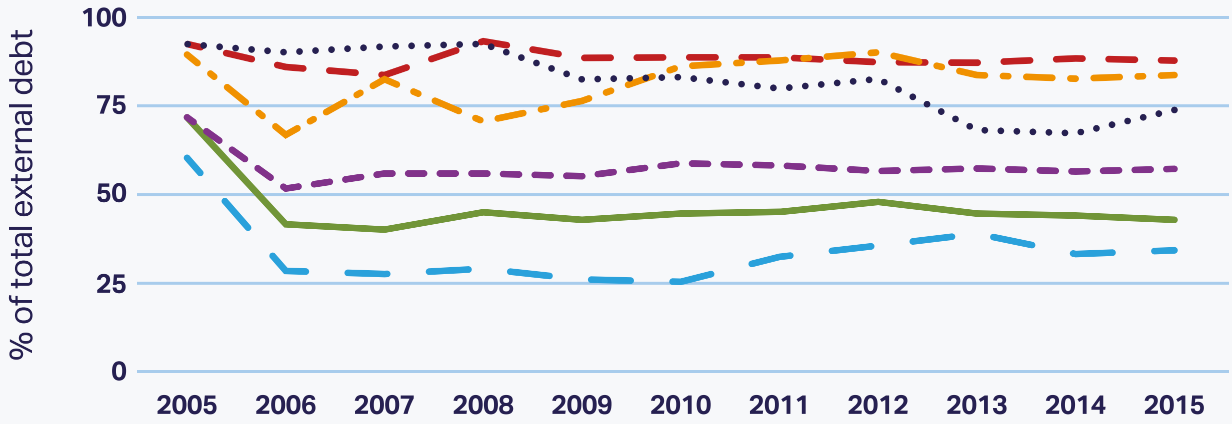


Figure 10: Share of grants in total ODA by country

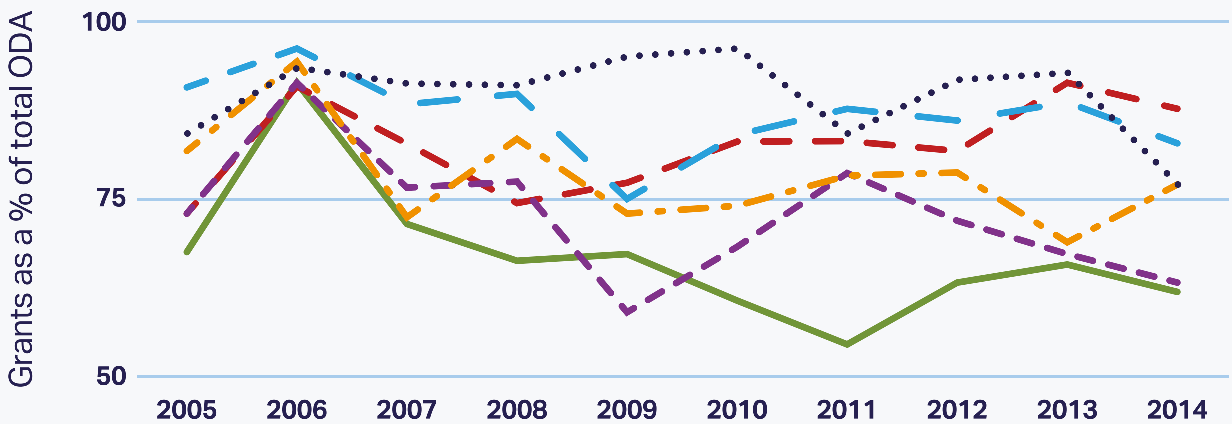
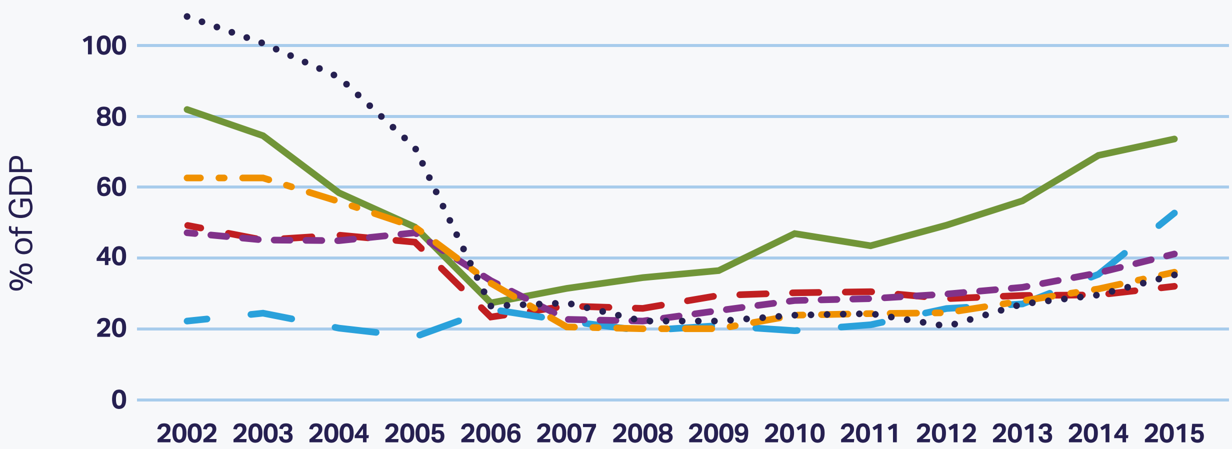


Figure 10: General government gross debt



KEY: Burkina Faso | Ghana | Rwanda | Uganda | Tanzania | Zambia

2.2 How government systems are adapting to the evolving landscape

This section reviews discernible changes in country policies, strategies, and processes over the past decade in mobilizing and coordinating EDF, by assessing how these changes are manifested in country planning and budgetary processes and in the institutional assignment of responsibilities and coordinating mechanisms. The focus is thus on how country governments organize their internal mechanisms that manage, allocate, monitor, and evaluate the different sources of development finance, the sustainability of their financing strategies, and how they organize their development priorities to target potential development finance.

2.2.1 Country planning and budgetary processes

Capacity for managing public investment is generally uncoordinated and undeveloped

All six study countries have medium- to long-term development plans, though planning and budgetary processes have not evolved much to respond to the changing EDF landscape, for two main reasons. First, these processes are the remit of multiple institutions, rendering integration difficult (except in Rwanda and Tanzania, where these processes are fully integrated). Second, the role of the development planning institutions in sourcing and allocating EDF is either marginal or nonexistent, such that capacity for public investment management is weak. With the growing desire to borrow for major capital-intensive projects, this is a major concern.

In Burkina Faso, Ghana, Uganda, and Zambia, finance ministries are the primary interlocutors with DPs and take decisions on expenditure allocation and execution—a function that should be undertaken with the development planning institutions (which rarely happens except in Rwanda and, to some extent, Tanzania).

Rwanda offers some contrast. Its EDF institutional framework revolves around the internal business processes for implementing national and district development plans, and this is fully integrated into budget formulation. The Ministry of Finance and Economic Planning and the Rwandan Development Board coordinate closely in sourcing, allocating, and managing EDF. The Policy Manual of Procedures, introduced in 2011 to guide and improve implementation of the 2006 Aid Policy, covers all grants, technical assistance, and concessional loans with a grant element of at least 25% to the government or the private/CSO sector. A Long-Term Investment Framework, developed in 2006 and setting out the financing requirements for Vision 2020, identified 30 long-term investment programs for 2006–20. The main sources of funding it pinpointed included domestic resources, external grants, loans, and the private sector. The guidelines for investment funding were that: the private sector was expected to fund investments with a commercial rate of return; PPPs were to be used for investments with negative short-term commercial returns but positive commercial medium- to long-term returns; and public sector funding was to be used for those with a negative commercial rate of return but a positive socioeconomic pay-off. These principles have been adhered to since early 2016.

2.2.2 Policy and institutional frameworks and coordination arrangements

Frameworks for mobilizing EDF have failed to respond to new actors, and responsibilities are muddied

Rwanda aside, the study countries have generally reacted poorly to the fast-evolving EDF landscape. At best, changes have been limited to revising aid policies with few institutional reforms. Coordination and management structures are largely the same: often fragmented, with functions spread across different divisions, departments, and sometimes ministries. Though the ministries of finance are responsible for aid coordination and management—sometimes with DPs and other central finance agencies—there is lack of clarity on the remit of the implementing agencies in accessing EDF. Few institutional structures have adjusted to deal with new actors, and are poorly coordinated.

In Ghana, separate units dealing with multi- and bilateral donors are weakly integrated. Government institutions seem uncertain on who should lead EDF mobilization. Line ministries, departments, and agencies see themselves as the first point of contact with donors, and the operations of some donors further exacerbate this fragmented view. And while respondents share a consensus that the Ministry of Finance has the ultimate responsibility for signing aid contracts and agreements, line ministries' respondents indicated that they sometimes sign memorandums of understanding with donors. Respondents felt that external resources are poorly aligned with the priorities defined in the national development strategy because the costing of the strategy and timing of needs are not well set out, and so resources are often mobilized case by case.

In Burkina Faso, the shifting EDF landscape has had negligible impact on policies and institutions. Traditional ODA dominates, and ODA composition and terms have remained essentially immutable over two decades. As the country has not widened its sources of external financing, the resources mobilized depend on the quality of relations with traditional DPs. The country receives precious little foreign private capital, but has issued bonds on the regional financial market.[26]

In Zambia, the establishment of the new Ministry of National Development Planning in 2016 should have institutionally consolidated EDF, but this is yet to happen as there is need for clarity in the relative functions of the new ministry and of the Ministry of Finance. Their roles and legislative frameworks are yet to be aligned and the mandate of the National Development Planning Ministry has yet to be elucidated for EDF.

In Uganda, in addition to the policy and institutional framework for accessing and spending EDF, the government has adopted a Medium-Term Debt Management Strategy for 2015/16 to 2019/20, which provides a financing framework to minimize debt servicing costs and government risk exposure, while endeavoring to keep the debt sustainable. The strategy is focused on determining the appropriate overall composition of the entire debt portfolio, taking into account macroeconomic indicators and the market environment (MFPED, 2015). Although institutions, laws, and strategies for coordinating EDF have been around for some time, institutions lack coordination and transparency, especially on the details of some major NTDA loans to government.

Institutionally, Rwanda has adapted quite well to the changing aid architecture. The Ministry of Finance and Economic Planning is responsible for mobilizing EDF, with the Rwandan Development Board playing a key role in allocating these resources to the country's development priorities. Unlike Ghana and Uganda where line ministries have wide autonomy in their interactions with DPs, Rwanda's line ministries formulate and implement policies only for their own sectors, and do not deal directly with donors. The Ministry of Finance at all times negotiates and contracts external resources on behalf of government.

Managing grants and loans can be problematic

The lack of integration of policies and institutions for managing grants and loans remains a major concern in most of the countries. Ghana and Zambia have no legislative instruments explicitly covering grants (though they do have for loans), leading to fragmentation and unregulated contracting and severe misalignment between plans and strategies on the one hand and investment and budgetary allocations on the other. Challenges with counterpart funds and consequent contingent liabilities are recurring concerns.

Rwanda's experience is instructive. The policy and regulatory frameworks that govern the management of development finance are quite elaborate, not just on paper but in practice. The constitution lays down the broad ground rules, the aid policy and executive orders based on it set out procedural requirements in detail, and the annual Organic Budget Law stipulates deployment of EDF–excluding flows from international private sources. The Rwanda Policy Manual of Procedures has led to major reform at national and local levels of aid coordination. An important part of how the government manages aid is a formal "division of labor" between donors, which restricts the number of sectors to which a donor can contribute and selects a donor to lead each sector and conduct policy discussions with line ministries and central government. This simplifies administration for donors and government, and helps ensure more even coverage of sectors than previously.

Recent and proposed changes seem encouraging

The six countries are beginning to review their policies and practices, and are drawing up new public financial management (PFM) legislation. Government officials indicated that the revisions are to take into account the availability of new and previously unaccounted-for sources of funding, and the entry of new partners.

Ghana passed a new PFM law in 2016 to integrate all financial laws into one overarching law, to address persistent weaknesses in PFM, and to promote discipline, transparency, and accountability in managing public funds. This new law, coupled with the Aid Policy that is being updated, is expected to bring policy coherence to government agencies.

Zambia is revising legislation, including its Aid Policy, and established a new Ministry of National Development Planning (MNDP) in 2016, for which overseeing development cooperation and mobilizing external resources are two of the main functions. However, the legislative instrument expected to help delineate functions between the new MNDP and the Ministry of Finance, which previously handled development assistance, is yet to be enacted, while parliamentary oversight of resource mobilization has been expanded to include the functions of the Ministry of Finance, with no reference to the MNDP. This is particularly worrying as Zambia is facing fiscal and balance-of-payments deficits.

Tanzania's Development Cooperation Framework is being drafted to replace the Joint Assistance Strategy for Tanzania as the national framework until 2024/25. The new framework is expected to define the overall objectives and principles surrounding development partnerships, and commitments by the parties to Tanzania's development.

Burkina Faso, after the Fourth High Level Forum on Aid Effectiveness, in Busan, Korea in November 2011, which highlighted the need to develop policies that go "beyond aid" and establish new types of partnership for development effectiveness, created in 2012 a National Action Plan for Development Cooperation Effectiveness, 2013–2015. The plan seeks to address national priorities, including engaging emerging donors. The country is putting into place the conditions for using PPPs effectively.

Meetings and dialogue need to achieve greater development impact and be more inclusive

Coordination and dialogue with DPs is largely at national and sector levels and most DPs rate them well. Still, most DPs expressed the need for improvements, particularly in the effectiveness of meetings and their impact on development outcomes. Fragmentation in coordination and dialogue mechanisms involving the state, donors (traditional and non-traditional), and other stakeholders is a concern. Common modes of engagement include DP meetings, sector working group meetings, high-level meetings, budget consultations, and a whole gamut of other consultation platforms of varying frequencies. These platforms have proven less effective over time, particularly in Ghana and Zambia where the budget consultation process has collapsed.

Sector working groups are, however, working relatively well in most of the countries, as seen in part by their success of the division of labor approach to donor coordination, though the country studies reveal challenges. Some of these groups are more active than others, and as noted by respondents even in sectors like health, which had nearly two decades of functioning dialogue, stakeholders have questioned their effectiveness.

According to DP respondents in Ghana, Uganda, and Zambia, there are issues of quality of technical dialogue and level of representation on the government side; balance between routine coordination meetings with managerial staff, and policy meetings with policymakers (a particular problem in working groups that span different line ministries); annual review processes becoming too routine with weak follow-through on dialogue and many recommendations remaining unimplemented for long periods; and domination of traditional donors and no indication that the governments encourage non-DAC DPs to participate. This last point was also observed in the OECD study.[27]

The Rwandan government's ability to involve different categories of donors, beyond sector engagements, is encouraging, despite shortcomings. At national level, the division of labor approach adopted via the sector and thematic working groups for the Economic Development and Poverty Reduction Strategy are important in bringing together all actors, including the private sector. At district level the Joint Action Development Forums, consisting of representatives from all DPs (including non-traditional partners), CSOs, and the private sector, are charged with ensuring that investments, programs, and projects are in line with the district development plan. This is a legal requirement set out in a ministerial order. None of the other countries shows effective local EDF coordination.

Reducing dependency on ODA is a challenge

The review of the six countries' development financing policies and the results of the fieldwork did not provide any indication that the six governments would reduce their dependence on ODA in the near future. While Ghana, Rwanda, Uganda, and Zambia stress the need to reduce aid dependence in the medium to long term, and are making increasing efforts to mobilize non-aid resources, they also acknowledge that donor support will remain necessary over the medium term if they are to achieve their development goals. For Burkina Faso, dependence on development assistance is deeply entrenched: the country has no development cooperation strategy and its processes for mobilizing resources have remained unchanged over the last two decades, simply because the same key DPs have kept up their support.

All countries reviewed are strengthening DRM

Although not a focus, mobilizing domestic resources was a recurring concern of this study, particularly with the post-2015 SDG consultations taking place at the time of the study. In all six countries, revenue-to-GDP ratios remained largely flat in 2005–14 and had not risen above 15% in most of them—against ratios of 20% and over 25% of GDP in Sub Saharan Africa and the emerging economies of East Asia respectively. Government officials and traditional DP respondents overwhelmingly argued the need to strengthen DRM. DPs already saw marked improvements in the political commitment to DRM, in particular to reforming tax policy and administration, broadening the tax base, and improving taxpayer compliance. However, DPs had concerns over an inadequate focus on tax evasion by individuals and companies, whether local or international. In Ghana, Tanzania, and Uganda, they noted that the link between taxes and social expenditures had deteriorated greatly, and with it taxpayers' morale.

DPs noted some positive elements that provide a basis for strengthening DRM, such as knowledgeable staff in Ghana and Rwanda; political will in all six countries; and revenue agencies being integrated, modernized, and automated in Ghana, Rwanda, and Tanzania. Weaknesses common to all study countries include inability to tackle the large informal sector (Rwanda aside); inability to address tax evasion by individuals and corporations; abuse of tax exemptions and lack of policy coherence on tax exemptions to avoid too much being given away (requiring reassessment of exemptions to some large companies, particularly); slow port processes; and inadequate reporting and accountability to make the link between taxes paid and benefits received more apparent to citizens.

Among the efforts to address these challenges, Rwanda has received Department for International Development (DfID) funding to increase its capacity to collect domestic revenue. Along similar lines, the World Bank (2014) highlighted the importance of supporting the Rwanda Social Security Board and the insurance sector, as they can make the longer-term investments necessary for financing development.

Some donors have provided capacity-building support to the Zambia Revenue Authority, in particular targeting mining sector taxes to reduce transfer pricing. Similarly, in Tanzania, DPs have supported moves to mobilize domestic revenue in the past five years by encouraging reforms, modernization, and international cooperation in the tax arena (**Box 1**).

BOX 1: International tax cooperation

The study countries are engaged in several international tax cooperation forums, including the Global Forum for Transparency in Tax Administration, the Africa Tax Administration Forum, the Commonwealth Association of Tax Administrators; in mutual assistance on tax transparency and agreements on exchange of information; in initiatives by the Extractive Industries Transparency Initiative; and in OECD peer review initiatives.

They are also collaborating with, for example, the United Kingdom government, the OECD secretariat, and the World Bank to address illicit financial flows, to promote coordination and policy coherence across institutions, and to bolster reporting and data sharing and harmonization of tax codes.

The experience thus far is largely limited to discussing common tax matters and exchanging ideas on how to tackle broad tax challenges better. Some of the countries, such as Tanzania, intend to join or extend participation in global and African initiatives, and engage in peer review and learning to share best practices, particularly in curtailing tax evasion, and in expanding their double taxation agreements. Respondents emphasized the need for strong political will.

2.3 How governments are engaging and managing emerging state and non-state actors

Despite the general understanding of the need for donors and recipient governments to improve systems and practices of aid management worldwide, how governments engage with EDF providers is a crucial part of the governance of development cooperation at country level. This line of enquiry in this study focuses on how countries are engaging with new emerging state and non-state actors (see **Figure 2**). Questions for respondents included: Do countries have special units or agencies dedicated to dealings or negotiations with these actors? What is the state of partnership with them? And, is this engagement different from that with traditional providers?

2.3.1 Strategies for engaging with new partners

The study countries have no specific policies and strategies for engaging emerging state and non-state partners

Most of the countries have official documents defining expectations and future strategic directions, rather than policies and strategies. Ghana, for example, has a four-year medium-term plan, Ghana Shared Growth and Development Agenda II (2014–2017). This notes the changing trends in the financing landscape and the declining ODA inflows, and acknowledges limited opportunity for mobilizing additional resources from traditional partners to achieve its transformation agenda. Thus, while not formally articulated, the direction is to engage with the new state partners bilaterally, focusing on state-to-state initiatives in certain areas of the economy, particularly those requiring huge capital.[28]

The Rwandan government has explicitly decided to use the same policy framework for all DPs while recognizing that some emerging state donors like China and India may not fully participate in it. The Republic of Korea and the Global Fund are, however, integrated into the framework's coordinating mechanisms.

In Ghana, Rwanda, Uganda, and Zambia, partners with special funds, such as China, Japan, India, and France, are targeted. These governments' PPP strategies reflect efforts to shift long-term external development finance from traditional ODA.

2.3.2 Institutional arrangements

The governments have no standards, protocols, or structures for dealing with new actors

Government officials acknowledge the changes to operating procedures and requirements with the new actors from those of traditional donors, but the six governments have no new procedures for engaging them. Engagement is ad hoc and sometimes assigned to individuals; institutional support is limited, and even that rarely uses country PFM systems. This lack of integration into the aid management architecture is a fundamental impediment as it complicates coordination and increases risks of duplication.

Even though Ghana's Ministry of Finance has dedicated desks for engaging some emerging state actors,[29] it has no standards or protocols for them. The new actors' procedures are different, but their requirements are just as challenging. Line ministries, departments, and agencies have relations with non-traditional donors that implement projects in their sector; according to respondents, they engage with them in much the same way as with traditional donors, but such engagement tends not to be coordinated within the overall sector program because it is conducted individually and not through coordinating structures, leading to parallel and fragmented operations.

Ugandan officials recognize that current procedures respond inadequately to dealing with new actors, prompting them to improvise procedures outside the laid down rules, especially for Chinese development assistance.

New partners in Zambia have not signed up to the aid and development effectiveness principles, and operate outside the joint assistance framework. And, while they are frequently invited to the regular development cooperation review meetings, which they occasionally attend, they are under no obligation to share information.

BOX 2: Engaging with emerging state partners

These officials are becoming increasingly wary of the relationship. In the words of one key official respondent, "It is easier to engage with traditional donors than non-traditional donors … non-traditional donors can be very petty … every day they look at changes on the international market and come back to you to ask details like how are you going to pay, how much will you get every week from this source?"

Another respondent said, "They have their own interests and they tend to strip Government naked ... negotiations with them is a continuous, never-ending cycle." Yet another official indicated that, "Traditional donors will only give you the terms of payment, but the good thing about non-traditional donors is that you can get more money from them."

On the donor side, some respondents said that, as government turned to new actors and began to realize that their processes and requirements were just as—if not more—stringent, they began to pay attention again to traditional donors. In the words of one donor respondent, "The government was forced to go back to its old, well-known boyfriend that it deserted."

Rwanda has no special set of policies for non-traditional partners, but the government seems to be gradually coordinating their support more systematically. There are challenges, but it has got new actors like the Global Fund, China and India to take part in its mechanisms for monitoring donor performance, and they are sometimes included in the division of labor. Some donor respondents therefore felt that Rwanda's mechanisms and institutions will suffice to engage with new partners.

Tanzania's institutional arrangements for new and traditional actors are the same. It has standard protocols such as periodic development partnership meetings with new actors, but their frequency depends on memoranda of understanding or any other agreed-on protocols.

2.3.3 Partnerships with new actors

Emerging state partners—particularly China, India, and Brazil—seem more responsive to economic growth and transformation agendas, but dealing with them is still a challenge

Official government respondents felt that the conditions on non-DAC loans are not as stringent as those for traditional loans and are therefore easier to absorb. Emerging partners negotiate aid as a business transaction and are willing to provide the large resources needed to support the country's infrastructure development, once the conditions are met. "Money is not disbursed unless a project is ready to be implemented and long negotiations ensure that there is value for money," said one official respondent.

In the six countries the ministries of finance regard funding from China, India, and Brazil as investment, and accept that they may not be prepared to engage with the country systems, in particular, the PFM system and the evaluation and monitoring frameworks. Government officials also asserted, however, that meeting the conditions of these new state actors is as challenging as with traditional donors (**Box 2**). These new actors have also been reluctant to adopt the traditional ODA platforms.

Governments have some anxieties over new actors

The new state actors see their objectives as different—that is, primarily economic cooperation—from those of traditional donors, even if they value collaboration and welcome broad policy dialogue with their traditional counterparts. In their view, the current structures and processes result in more talk than action, particularly for joint projects. But their emerging collaboration is mainly with the multilateral agencies and they are more prominent at international level–though even with that they are selective. The six governments have neither encouraged nor discouraged new actors from participating in the existing dialogue structures, and accept that their participation is weak.

For the recipient governments, however, a bigger concern with the new state partners is transparency in procurement. Because they bypass the countries' financial management and auditing systems, governments cannot directly capture the aggregate contribution to national development of these partners' programs and projects, or attribute it in the national accounts. New actors' information on the scale and value of their financial, technical, and commodity aid, as part of their external development finance modalities, is rarely published[30]—another reason why government records do not capture it. Officials are also concerned about mortgaging their countries' natural resources.

Similarly, some official respondents expressed concern over the new non-state actors, such as the vertical funds and private foundations, whose resources are mainly off budget and tend to operate parallel systems. They contend that they are not always aware of their activities, because they operate at local, grassroots level. Rwanda offers one solution: its EDF management and coordination frameworks cover districts and local resources, which are incorporated into budget planning.

Constructive partnerships with the domestic private sector are rare

Most countries do not engage with the domestic private sector[31] on external development finance issues. Its role is just to take part in some annual external development finance-related meetings and some PPP arrangements, which does not constitute consultation and accountability.

Ghana's CSOs and private sector representatives are invited to monitoring and review meetings at sector level, even though they complain that this is often token rather than substantive. Government officials admitted that working relations with CSOs and the private sector are poor, bordering on mistrust. Official respondents argued that while these non-state actors–particularly CSOs–"are always keen to monitor government, they are not ready to open up about their own operations." Some respondents felt that Ghana's CSOs are not well organized, making it hard to decide who to engage with.

Burkina Faso's private sector helps identify development projects. It plays a visible role in implementing development projects and programs through services provided under contracts with the state. Its role could become more prominent as PPPs as funding instruments for public investment gain traction.

In Rwanda, the private sector is well represented on the main implementation committees at national and subnational levels. Citizens can attend local government "open days" to find out about government activities, and these days let village leaders inform citizens of government priorities but, to paraphrase one respondent: In theory, such meetings are expected to provide an opportunity for citizens to comment on government policy, but in practice this does not happen.

A Ugandan government official argued that private sector representatives should attend sector working group meetings, but acknowledged that the issues discussed there hold little interest to them. Joint annual reviews and the presidential roundtable for investors are two platforms engaging the private sector at the highest level.

2.4 How traditional donors are adapting: Trends in budget support and project aid

Some of the areas for discussion presented to respondents included: How are traditional donor country assistance programs changing from poverty reduction, human development, and technical assistance to better align with economic transformation?[32] To what extent has assistance been on budget? What has been the trend in budget support (general and sector) and project aid? How have these allocations been influenced by changes in country systems or by changes in development resources from non-traditional donors and other new actors? And, have traditional donors sought to use their assistance to leverage private finance in preparing "bankable" projects?

Preference for general budget support among some bilateral donors is waning

The preferred aid modality for the six countries remains general budget support followed by sector budget support, in contrast to the traditional bilateral providers' preference for project aid. Yet the number of donors contributing to general budget support and disbursements as a share of ODA has fallen in all study countries—and steeply in Ghana, Tanzania, Uganda, and Zambia over the last five years (**Figure 11**).

Sector budget support has remained relatively flat, but project aid has been rising in ODA since 2005, partly compensating for the drop in general budget support. By 2010, project aid was contributing a larger share (over 50%) than general budget support in total ODA, and more than two-thirds by 2014 (**Figure 12**). The shift varies by country. Ghana has the largest (Box 3), with project aid increasing in 2005–14 from 21% to 82% of total ODA, followed by Zambia, from 17% to 62%.

In Ghana, the multi-donor budget support system—the principal forum for high-level policy dialogue—has not convened since February 2014.[33] In Zambia, after suspension of budget support in 2014 and slowdown in PFM reforms, all traditional donors adjusted their strategies at the country level. Some completely withdrew funds from the country, while others reallocated to sectors and projects and used project implementation units or privately contracted implementation agencies.

BOX 3: Collapse of general budget support in Ghana

Governments and donors expressed opposing views. For most of the participating donors, 2014 was their last disbursement for a host of reasons, including lack of confidence in the PFM system, a growing macroeconomic crisis, lack of robustness in the Performance Assessment Frameworks of the multi-donor budget support system, and the government's inability to adhere to the key principles underlying such support or to coordinate that platform.

Government respondents, on the other hand, argued that the decline was not unique to Ghana but stemmed from changing global trends in development finance. They felt that the PFM system was not perfect when donors agreed to provide budget support and did not see weak PFM as a reason for donors to exit.

Donors countered that PFM reforms had not gained traction and challenges with transparency and accountability remained, citing numerous reports of misappropriation and outright corruption that were yet to be addressed. They felt that, the concessions made in the past with the PAF were at their discretion and that they were entitled to continue or discontinue funding.

In short, once relations between the government and donors soured, goodwill evaporated.

Figure 11: Share of general budget support in ODA by country

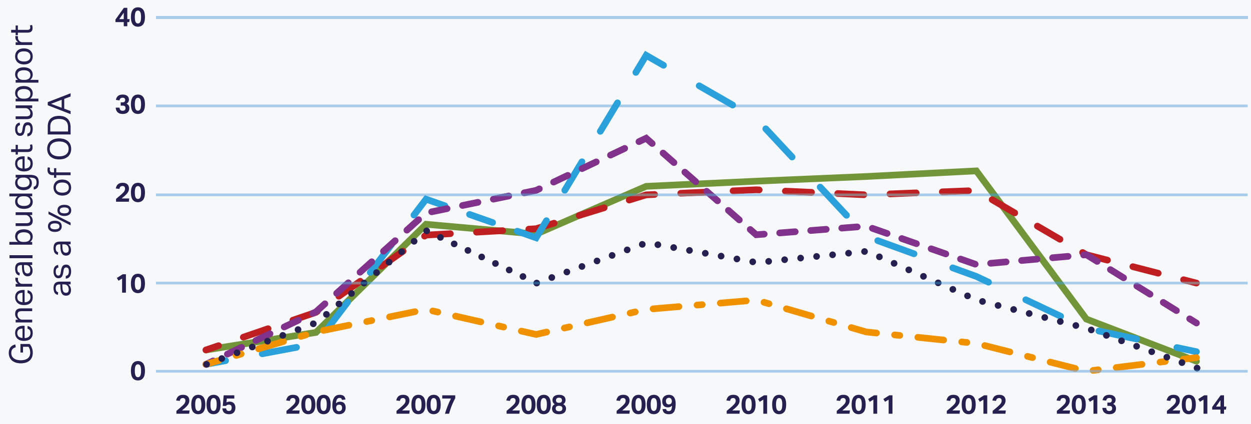
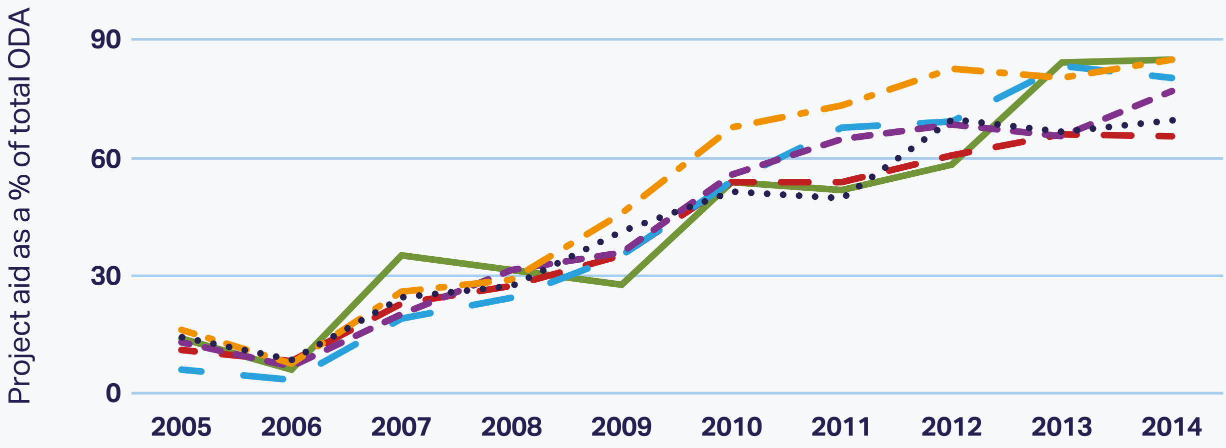


Figure 12: Share of project aid in total ODA by country



KEY: Burkina Faso, Ghana, Rwanda, Uganda, Tanzania, Zambia

In Burkina Faso, the presence of philanthropists and other non-state actors has invariably led to a pullback of traditional ODA funds earmarked for HIV/AIDS, tuberculosis, and malaria control. Traditional donors justify their action on the grounds that they are contributors to the funds of some of these non-state actors. These funds therefore do not necessarily represent additional resources for the country.

Uganda's response to the fall in budget support[34] has been to look east (mainly China) to meet its major infrastructure needs. Not all funds go through the government, instead some go directly to end users, especially the private sector and local governments, through projects.

Rwanda's consultation mechanisms are relatively effective, and some key donors like DfID and USAID have stated their determination to continue to provide targeted financial support through government systems, but will no longer provide budget support.[35] Rwanda, however, presents a unique case in that, while the shift in funding toward specific projects may indicate unwillingness by DPs to make open-ended commitments through general budget support, the survey results indicate some close government collaboration with donors to bring project aid into government systems, for instance, single project implementation units. And since 2014, new actors like the Global Fund have been moving from purely project funding toward sector budget support.

Despite the decline in bilateral general budget support, multilaterals remain committed

According to multilateral organizations like the World Bank, the African Development Bank (AfDB), and the European Union, agreements will be based on institution-specific indicators negotiated with governments. With greater resources than the bilaterals, the multilaterals can better respond to recipient countries' infrastructure needs and support economic and productive sectors. At a time when project sizes are generally shrinking and fragmentation is increasing, these partners say they have maintained or even increased their project sizes.[36] They call on a wide range of international expertise and offer sound technical advice to complement financial resources. According to respondents in Ghana, Tanzania, and Zambia, funding from this source in the future is expected to be predominantly loans, not grants – these countries access IDA financing only on blend credit terms.

On-budget aid is generally declining

General and sector budget support have been the largest components of on-budget aid, and with the fall in general budget support in the study countries, on-budget aid has also been on the decline. Further, although project aid has been rising as a share in ODA, not all project aid is on budget. In Ghana, Uganda, and Zambia, donors are increasingly using privately contracted implementation agencies, and less of the funding is passing through the PFM system. Rwanda's on-budget aid is, however, increasing. The establishment in 2011 of the Single Project Implementation Unit that coordinates all externally funded projects delivered by a given ministry and that records on-budget project aid has facilitated use of the country's PFM system and on-budget aid. The challenge, however, is that the total value of projects is not recorded because most donors do not disclose full information.

Issues of technical assistance

Technical assistance is poorly embedded in the six countries' systems and procedures, generating little impact. Most of the external development finance has in-built technical assistance targeted at capacity gaps in implementation while ensuring that reforms and interventions agreed to in monitoring frameworks are met. Most initiatives have focused on PFM capacity building, health (mainly by GAVI), education, and agriculture.

In Ghana, DPs noted that because there is no overarching or sector capacity development strategy, it is difficult to ensure that technical assistance meets longer-term capacity needs. Even in Tanzania, which has a national capacity development program, survey results suggest that technical assistance is not always aligned with the program's objectives and that mechanisms for coordinating technical cooperation vary widely by sector. Uganda's government officials felt that, with hardly any technical assistance coordinated by donors, it was more of a way to attract funding than to build capacity. Burkina Faso's respondents identified it as one of the forms of cooperation that has not received enough institutional support from the national authorities.

Traditional partners have coordination issues

Several donors recognized their inability to support some of the policy and institutional realignments that some of their partner countries are undertaking in response to the changing EDF landscape. They expressed concerns about the inflexible stance or behavior of their home offices, with phrases such as "little progress and incentives among partners at HQ level to implement the Paris Declaration targets on use of country systems, predictability, transparency, untying aid, etc." According to some respondents, "procedures determined by HQ also need to evolve more rapidly to be able to provide better quality assistance." Particular challenges were the predictability of aid, and weaknesses among some of the partner staff on the ground, particularly as they were severely understaffed and overstretched. In Ghana and Uganda, the split in the donor front over disbursements (under the multi-donor budget support system or the joint budget support group framework) greatly undermined coordination. In Uganda, some DPs were concerned about transparency among the donor community.

Divided views on the impact of new actors

A majority of traditional partners contended that emerging state and non-state actors have not affected in any way their relations with partner countries. In Rwanda, Tanzania, and Uganda, traditional DP respondents felt that the new actors had increased funding opportunities for the government. For example, both in Rwanda and Tanzania, they indicated that new actors have in fact strengthened their own relationship with the government. In Rwanda, some traditional donors helped the government draw up a strategy of "diplomatic relations" with non-traditional donors, given the decline in funds for some sectors under the division of labor.

Some government respondents also shared this positive view, but others thought differently, citing in particular China having a dampening effect on their relationship with traditional DPs. An example in Ghana was the China Development Bank's facility for a gas project that went ahead despite reservations by some traditional donors, who felt that the government's posture changed quite a bit as new funding streams materialized that did not require the same rigor and conditions. One donor cited delay of over a year in getting the counterpart signature on its country program. In Burkina Faso, the absence of China—according to some traditional donors—explains in large part the last decade's relative stability in budget support. One traditional DP respondent believes that, if Burkina Faso renews ties with China, his country's cooperation program will change.

Several of the new actors, in particular South–South cooperation partners, considered the relationship between traditional partners and governments as interfering rather than supportive (**Box 4**).

BOX 4: Development cooperation—talking, supporting, or interfering?

A non-traditional donor's comment on the relationship with traditional donors:

Traditional donors spend all their time talking with government. We see some of that talking as interference within a country. Development partnership does not mean getting involved in the partner country's decision-making. Our role should be to support the country in what they want to do, but the traditional donors want to direct what is done. And when we have tried to collaborate it has taken forever with no action on the ground. We tried to collaborate to implement a joint project with a traditional donor, after two years of talking with no start to the project we decided to break away from the "talks" and implement the project on our own, and it worked. Our home government did not understand why we had wasted so much time just "talking."

With development cooperation systems between governments and traditional partners becoming less effective, the latter are seeking new models

Some traditional donors are beginning to push for results-based aid and results-based financing, and many are increasingly supporting sector strategies and partnerships, but continue with their old multiple project modalities. Project monitoring remains a major activity on all sides. Donor numbers and project numbers are rising, and project sizes falling, in a "fragmentation syndrome." In Ghana, Uganda, and Zambia, all traditional donors have increased project aid and have projects across virtually all the social and governance sectors, but in Rwanda, such fragmentation is very limited due to strict adherence to division of labor arrangements (including for silent partners). Rwanda's district mobilization and monitoring is key to its success in using aid money well.

In the quest for new development cooperation models, some donors are introducing the Trilateral Development Cooperation approach,[37] to which Rwanda especially has been receptive, including the following three: Sweden's development assistance partnership with South Africa for training in Rwanda; the Rwanda–Zambia HIV Research Group funded by the U.S. Centers for Disease Control and Prevention to establish centers of excellence from which to provide training and technical assistance to 19 countries; and the National University of Rwanda Medical Faculty, which cooperated with the South African department of family medicine in a program funded by the European Union to develop family medicine practice through cooperation among 10 southern partners.

Traditional donors are increasingly working outside the conventional aid management "box"

A few traditional donors leverage opportunities in international capital markets for financing development directly, others through intermediaries such as development finance institutions. According to some donor respondents, they are using guarantees to provide comfort to private investors and reduce the risk profile of transactions; and to facilitate investment where there is market failure and where pure commercial financial institutions are unlikely to invest or come in as partners. AfDB for example, in Ghana, is providing partial risk guarantees in two energy deals. Examples of the portfolios of the Commonwealth Development Cooperation (CDC) and the European Investment Bank (EIB) in Ghana illustrate the increasing importance of development finance institutions. Similarly, multilateral agencies in Rwanda are partnering with foundations and the private sector in their work on youth and innovation, and in a major urban water management project where they provided a matching fund (50:50), with the urban authorities sourcing the rest elsewhere. Burkina Faso and Tanzania, however, have not adopted these approaches. Most respondents in Tanzania stated that there was no concrete evidence that the assistance of traditional donors has been used to leverage private finance through bankable projects or other means.

2.5 How technology platforms are enhancing data for better management, monitoring and evaluation, accountability, and transparency

It is of course impossible to trace directly the impact of development finance sources through to their ultimate development outcomes, but the study assessed in-country efforts to build an inventory of development projects and to use EDF in ways that make it possible to monitor and evaluate impact, focusing on the following three areas.

2.5.1 Use of technology to improve availability, quality, and timeliness of data

Systems offer narrow scope and coverage

The study countries use a range of established aid management information systems, including the Aid Management Platform, the Development Assistance Database (DAD), and the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS), but these are not well integrated into the countries' PFM platforms. Most countries have multiple, parallel systems limited in scope and coverage, leading to fragmentation and ineffective tracking of aid data. Reforms are underway, however, supported by DPs, but participation of emerging donors is patchy. Systems have improved in some countries but are not that widely used because they do not capture the information useful to DPs—nor is such information readily accessible to the public, including CSOs.

In short, most aid management information systems fail to capture the EDF data required for effective tracking, do not capture aid from emerging donors, and only capture projects' monetary aspects.

At the time of undertaking the survey for this study, Ghana had no aid management information system and simply used excel spreadsheets maintained by the Ministry of Finance to record aid data, covering donor commitments and disbursements by sector and project. Data was captured based on notifications by donors and confirmation of payment. With funding from AfDB, the country now has a Development Assistance Database (DAD) yet to be launched and opened to the public. The ministry also uses the Commonwealth Secretariat Debt Recording and Management System to track and monitor external debt, but the system is not comprehensive on grants. A few sectors have good aid databases with detailed and up-to-date data on donor programs and aid flows, including forward planning information. But aid data gathered by the government is not publicly available, however DPs publish their aid data as part of OECD-DAC reporting requirements. The multiple sources are not linked, but the Ministry of Finance's new DAD is expected to streamline reporting requirements of donors and ministries, departments, and agencies (MDAs).

In Uganda, after struggling with the aid management information system set up in 2011,[38] the Ministry of Finance has reverted to the former spreadsheet method. The Debt Management Division of the Ministry of Finance and the Bank of Uganda operate on a different computerized system, the

Debt Management and Financial Analysis System (DMFAS) supplied by UNDP, for tracking billing, loan repayments to DPs, and disbursements for projects, but not grants. These systems are not centrally linked.

The Zambia Development Assistance Database set up in 2006 has never been used. DMFAS is used to record debts, grants, and disbursements; and to help monitor debt, validation and reconciliation of debt service payments, and grant components of loans. Access to DMFAS is restricted to government officials directly responsible for donor-funded projects and programs, and captures only the monetary aspect of projects. Although this database contains up-to-date information on loans, it is not a reliable source for data on grants other than when they are loan components, which means that it does not give sector and geographic coverage and effectiveness. The Ministry of Finance is attempting to develop an in-house aid database to tackle the shortcomings of DMFAS.

Rwanda offers a good example of a coordinated aid management information system, based on its DAD, which is increasingly integrated with the more general government management information system. Most financial transactions are executed through this system and some donors have linked their own to it. Although most other donors input their data manually, DAD is open to the government and to donor colleagues. DAD is not entirely compatible with the reporting requirements of the parent organizations of some donors: it does not capture some of the data needed for their own reports, or captures them in incompatible formats. Further, DAD includes only data from international donors based in Rwanda; not all DPs report their assistance; and DAD covers only development assistance executed through the government and recorded in the budget. There are, however, plans to extend DAD to record development assistance disbursed by NGOs.

2.5.2 Monitoring and evaluation

Partners have their own interests in reporting

The performance assessment framework (PAF), with a mixture of policy measures and of results and outcome indicators originally developed to support general budget support, has been used as the basis for dialogue on performance between governments and traditional DPs. In the study countries, performance indicators were developed under general budget support, and formed the basis for budget support. Because PAF is on the whole externally driven, as general budget support began losing traction, PAF did, too (see **Box 3**).

Besides PAF, DPs in the six countries have their own evaluation tools, including individual M&E frameworks with measurable indicators and results to monitor activities. In all countries, DPs prepare annual progress reports and country portfolio review reports on their activities. Some respondents said that these reports are publicly available, while others prepared them for internal use only. DP respondents noted that, though they share information with the government on their project reviews, reports, missions, and monitoring visits, etc., these are not structured and they may share information (or not) based on their own objectives. They also publish aid data as part of the OECD–DAC reporting requirements.

Non-DAC donors have been inconsistent in reporting aid data, as participation in OECD-DAC reporting provides no advantage and may not be worth the associated burdens. Those who do see an advantage face technical and political obstacles. And reporting detailed and reliable aid data of the quality expected by the DAC requires resources that many smaller donors simply do not have.

Data on loans are better recorded and monitored than data on grants

In all study countries, systems for tracking loans are better established and data are more often updated and monitored relative to data on grants. This is largely because for loans Ministries of Finance have to sign off/approve them and of course loans need to be reimbursed. In Ghana, the CS-DRMS tracks and monitors external debt while Uganda and Zambia use DMFAS for debt management. Loans and grants to Burkina Faso and Rwanda are some of the better recorded among the six countries.

Rwanda stands out, however. Its system not only captures loans and grants but also many other financial flows from the new actors. The country makes every effort to collect information from DPs by annually updating the M&E framework for the Economic Development and Poverty Reduction Strategy through sector working groups, which are co-chaired by the government and a DP. At the district and sector levels, all registered NGOs, CSOs, and faith-based organizations, with representatives of the National Women's Council and the National Youth Council, are represented in the Joint Action Development Forum. M&E is undertaken through a framework that ensures involvement of government, DPs, CSOs, and the private sector, with outcomes reported to the cabinet and Parliament.

2.5.3 Accountability and transparency

Two elements that remain weak

While transparency and accountability are important in ensuring sustainable development outcomes, widely available information is key to enabling citizens, CSOs, and the media to hold governments accountable. As gleaned from the aid management information systems, the six countries are generally somewhat behind on this aspect, to varying degrees.

Ghana, Tanzania, Uganda, and Zambia show inconsistencies in data, and do not perform well on granting access to "annual" development cooperation reports, which are irregular anyway. CSOs are mainly reliant on what is published in the media or have to access international databases, which few can. While the aid management platforms are better managed in Burkina Faso and Rwanda, these two countries face similar challenges.

This platform in Uganda provides up-to-date information on EDF commitments and disbursements, but CSOs particularly have little access to it because they do not have full administrative clearance from DPs and the government. The controversial NGO Act (2015) has made it even harder for CSOs as, according to some respondents, it is regressive and constrains CSO activities.

Ghana's government keeps aid data in Excel files closed to the public; donors, however, publish aid data as part of their OECD-DAC reporting. The government is developing an open source system.

The Rwandan government publishes ODA, a Donor Performance Assessment Framework (DPAF), DAD reports, and annual reviews of the Economic Development and Poverty Reduction Strategy,[39] but the most recent ODA report on the Ministry of Finance's website is for 2011/12 and the DPAF for 2012/13, although more recent reports of other types have been produced. The government emphasizes that citizens should hold local governments accountable for service delivery, but their capacity to do so is minimal: respondents from various groups believed that CSOs and the media lack such capacity to monitor and evaluate government policies and even more so to engage with DPs, and that these bodies' dependence on government and donors for funding curtailed their independence, keeping them passive and compelled to follow directives from the government or donors.

Burkina Faso has consistently published its annual development cooperation reports since 2008. Thanks to the Aid Management Platform, the Ministry of Economy and Finance produces tables and graphs for this report, which the public can access.

Considerable governance challenges persist in the use of ODA-related resources

Ghana, Uganda, and Zambia lack clarity in procedures, creating much scope for malfeasance. Loopholes in business processes, procedures, laws, etc., may foster a culture of embezzlement, but poor coordination between prosecuting and investigating institutions makes successful prosecution difficult. The absence of follow-up mechanisms between the Office of the Auditor-General and Parliament for corrupt cases has exacerbated ODA-related corruption. Some traditional donors interviewed made the point that that this lack of confidence in the PFM system explained in part their withdrawal from general budget support in the countries—though, as Rwanda shows, accountability and transparency can be improved.

2.6 Micro-level analysis: Six case studies

The purpose of reviewing the following case studies of DP-funded projects was to reveal a deeper understanding of the on-the-ground challenges of execution. The review goes beyond the earlier discussions based on macro aggregates to a micro-level analysis—project process, relations and coordination, and outcomes. It divides them into successful and unsuccessful, and then draws some lessons from the studies.

2.6.1 Successful and unsuccessful interventions

Based on independent project evaluations the study selected successful and unsuccessful interventions for review. The objective was to ascertain whether there are some key features that determine success, and whether these features are common across countries (and can therefore be construed as lessons), or are defined by unique country circumstances that may not necessarily be replicable. Project case studies were undertaken in all six study countries, but six examples from Burkina Faso, Ghana, and Uganda were selected due to their better data (**Tables 2 and 3**).

Table 2: Successful interventions

BURKINA FASO

Multi-Purpose Poverty Reduction Platform

PROJECT OBJECTIVES AND DESCRIPTION: The government, supported by its technical and financial partners, set up this project to fight abject poverty in rural areas. The first phase ran from 2004 to 2009 (after a pilot phase in 2000–04) and the second from 2010 to 2015. The general objective of the first phase was to promote national development plans and strategies through participative national and local capacity building, taking into account the monetary and human poverty reduction targets in Burkina Faso's villages and the Millennium Development Goals. The general objective of the second phase was to consolidate and extend access to affordable and decentralized basic energy services provided by the platform for income generation and improvement of access to basic social services for rural people, especially women. This phase also aimed at implementing the recommendations of the Economic Community of West African States (ECOWAS) Regional Policy White Paper[40] on access to energy services by rural and peri-urban communities with the aim of quadrupling access to modern energy services in the West African subregion by 2015.

RESULTS: The Program (assessed for 2000 to June 2015) was a resounding success, achieving its key objectives of empowering communities, in particular women, by providing multipurpose platforms and promoting empowerment activities.[41,42]

GHANA

The Roll Back Malaria Partnership

PROJECT OBJECTIVES AND DESCRIPTION: Malaria is the leading cause of workdays lost due to illness and contributes more to income loss than any other disease in Ghana. To provide a coordinated global approach to fighting malaria, in 1998 the World Health Organization (WHO), UNICEF, UNDP, and the World Bank launched the Roll Back Malaria Partnership, committing to a long-term focus, leveraging their technical expertise, and encouraging innovation. In 1999, a strategic framework to guide implementation was written. It emphasized strengthening health services through multi- and intersectoral partnerships, and making treatment and prevention strategies more widely available. The goal was to reduce malaria-specific morbidity and mortality by 50% by 2010. To achieve that goal, four main strategies were pursued: promote multiple prevention—treated bed nets, chemoprophylaxis in pregnancy, and environmental management; improve malaria case management at all levels, from household to health facility; encourage evidence-based research into interventions; and improve partnerships at all levels.

RESULTS: Ghana's under-five malaria fatality rate dropped by more than 94%, from 14.4% in 2000 to 0.6% in 2012. Deaths due to malaria fell by 47% between 2000 and 2011. Reported malaria cases dropped by 36%, from 250 per 1,000 population in 2000 to 160 in 2010. The initiative helped increase international financial funding for fighting malaria. Because funding in Ghana for malaria control remains heavily dependent on external donor support, the Ministry of Health is exploring new mechanisms to improve domestic investments, including mobilizing funds from the corporate and private sector.

UGANDA

The Community Agricultural Infrastructure Improvement Program

PROJECT OBJECTIVES AND DESCRIPTION: The goal of this program, CAIIP-1, was to contribute to poverty alleviation and economic growth in Uganda by enhancing commercialization of agriculture. Specifically, the project sought to enhance farmers' access to markets and attract competitive prices through improvements in rural infrastructure and mobilization and effective management communities to increased incomes. The program's three components were: rehabilitation of community access roads and feeder roads; construction of rural market structures; and supply and installation of agro-processing equipment. The project was implemented in 78 sub counties across 38 program districts in central and eastern Uganda. The AfDB and the IMF supported CAIIP-1 to the tune of $83.3 million. Implementation began in October 2007 and lasted five years.

RESULTS: The Ministry of Local Government post-project evaluation report 2015 shows that the project was successful in improving access to markets by communities and in improving their incomes through better prices of value-added produce. The project was ranked the best in the world and is being used as a showcase for livelihood transformation projects globally. The success of the project was used as a benchmark for attracting more funding for the Ministry from the World Bank to roll out the project into CAIIP-2 and CAIIP-3 in northern and western Uganda (MLOG 2015 and EPRC, 2015).

Table 3: Unsuccessful interventions

BURKINA FASO	**Loumbila Fruit and Vegetable Processing Project** **PROJECT OBJECTIVES AND DESCRIPTION:** To reduce post-harvest losses in some agricultural products and enhance value addition in production locally and nationally, the government with its technical and financial partners (India and the ECOWAS Investment and Development Bank) established a tomato and mango processing plant by decree in 2009. The objectives were to increase value addition to these products, provide employment to youth, and improve the living conditions of the population. The production capacity of the planned plant was to be 250 tons of fresh tomatoes per day and 240 tons of mangoes per day, with capacity to double production to 500 tons and 480 tons per day respectively. The construction of the plant was funded by a loan from the ECOWAS Bank for Investment and Development and the Exim Bank of India for $15 million. The government counterpart fund was $1.5 million. The government set up, the Fruits and Vegetables Processing Company of Loumbila (STFL), manages the project. **RESULTS:** The project did not achieve its objectives within the timeframe (i.e. by December 2014), with no visible outputs except a partially completed plant and over 80% of the loan disbursed. Implementation duration and the project cost nearly doubled, without concrete outputs.
GHANA	**Small Bridges Project in Northern and North-Eastern Uganda** **PROJECT OBJECTIVES AND DESCRIPTION:** The main objective was to contribute to the overall economic development of the country and to poverty reduction through improving the national and district road network by constructing small bridges in northern and northeastern Uganda through the framework of the Poverty Eradication Action Plan, the overall planning framework for 1998–2010. Initially, 21 bridges were selected in the regions in 2007, but after the first project design was completed in 2009, the number was reduced to 17, in four districts. Of these 17 bridges, 14 lie on the national road network and three in Soroti and Lira districts. These roads offer vital links between the local areas and the rest of the country. The Islamic Development Bank funded the project with a loan of $10.6 million. The project was signed on November 24, 2008 and the planned completion date was January 2013. Due to implementation failures and slow disbursements of funds, the project was extended by five years to 2018. **RESULTS:** The project was partially successful, given implementation delays and consistent extensions of project completion, cost overruns, fewer bridges, and several uncompleted or neglected interventions. Still, it achieved some good results: it was important in connecting the districts in northern and north-eastern Uganda; gave easier access to markets, which improved farmers' prices through competition and better bargaining, and stabilized prices in markets; improved connectivity, which is expected to boost administration efficiency in the district; and increased employment of youth and women in local communities, with evidence of improved incomes and of greater volume of produce sales to markets by farmers.
UGANDA	**The Public Financial Management Reform Program** **PROJECT OBJECTIVES AND DESCRIPTION:** The PUFMARP was a six-year multi-component program to strengthen PFM. It was run between 1997 and 2003 and was supported mainly by funding from the International Development Association (IDA), with DfID, Canadian International Development Agency (CIDA), and the European Union co-financing. The program components included: budget preparation; a financial management information system; cash management; aid and debt management; revenue management; procurement; and development of auditing, a legal framework, and human resources. The case study focused on two of the key components: budget preparation and introduction of a medium-term expenditure framework (MTEF) and an integrated budget planning and expenditure management system (BPEMS). The MTEF reform focused on MDAs and was intended to get them to move from annual incremental budgeting to multiyear activity-based budgeting. It entailed installing budget preparation software in MDAs, and staff training. Total funding for the MTEF was estimated at $4.58 million (external, mostly DfID) and $0.18 million (the government). Limited funding was available from CIDA (long-term advisory support), Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) (MTEF training), and UNICEF (international site visits and advisory support). The BPEMS inputs centered on technical assistance for system design: reengineering of business processes, the provision of hardware including networks, and financial management software based on Oracle Financials. The main sources of funding for this component were IDA ($15.3 million), and the government ($4.6 million). **RESULTS:** Relative to the expectations under the PUFMARP, the impacts of the MTEF reforms were limited. Activity-based budget documents, prepared by all MDAs, were excessively detailed, not strategically focused, and excluded personnel-related expenditures, which are a high share of government spending. There was no strategic framework within which the MDAs' submissions were prepared, nor were the medium-term ceilings credible. MDAs' detailed forward estimates for activities remained unrealistic. Also, with BPEMS, in practice, there were limited outputs to show for the investment undertaken on BPEMS, estimated at around $22.5 million since 1997. By end-2010, because the system was not fully operational in any of the eight pilot MDAs, with parallel systems still being run, it was therefore scrapped.

2.6.2 Lessons from the case studies

Alignment with recipient government strategies and programs is key

All three successful projects were embedded in the recipient governments' development plans and addressed fundamental development challenges.

The Medium-Term Strategic Plan for Malaria laid out the operational underpinnings of the Roll Back Malaria Partnership in Ghana, adopting an intersectoral approach and partnership with the private sector and communities. Strategic planning ensured that the country-specific context and issues were taken into account.

Similarly, the Burkina Faso Multi-Purpose Poverty Reduction Platform was firmly anchored on the country's Accelerated Growth and Sustainable Development Strategy. It was one of the main actions adopted by the government to improve access to modern energy services. There was therefore strong government and community leadership in implementation. A steering committee arrangement ensured demarcation between strategic management and operational coordination and participation of the local implementation and management machinery. To accord the community a place in the ownership of the community infrastructure, mechanisms and experimental tools were put in place.

The failure of the Ghana BPEMS under the PUFMARP was largely because it did not have political or administrative commitment. It was seen as a technical reform, something that did not require political or high-level support, and thus its original design did not seek to engage high-level stakeholders. Besides, none of the senior management at the MDAs, including the chief directors, was convinced about the benefits, and so did not push the required systemic changes in business processes. Negotiations between the government and donors appear to have been uneven, with donors providing the financial and technical support. The MTEF in contrast, which had some success, was internally driven and widely discussed at political and senior management levels of government, which helped garner political commitment.

One major reason for the failure of the Small Bridges Project in Uganda was the limited involvement of local government in design and execution. The project largely ignored local government technical staff, especially the district engineer.

Strong alignment of donor programs and coordinated funding with state-initiated projects boost implementation efficiency and sustainability

The Roll Back Malaria Partnership in Ghana had multiple DPs with close alignment and well-orchestrated coordination. This facilitated local partnership with state and non-state actors from the design of the project on, and enabled efforts to be coordinated and duplication avoided. Large and targeted resources were key in getting the program to scale.

Overly ambitious donor-funded projects are likely to fail

BPEMs in Ghana was too ambitious in its choice of information technology (IT) platform. Efforts to customize a system used in the business world for public sector use proved challenging and raised problems of IT infrastructure demand and connectivity. From the management angle, the Ministry of Finance was overwhelmed by the breadth and complexity of the reforms, which required a reengineering of PFM systems and processes to the new IT system. BPEMS is one instance where the DPs were seen as pushing reforms that do not always take account of a country's political economy, culture, institutional arrangements, and capacity.

Mainstreaming donor-funded projects from inception is a hallmark of successful and sustainable interventions

The Roll Back Malaria Partnership in Ghana was mainstreamed right from inception into the public health system, with oversight by the National Malaria Control Program. The regional, district, and subdistrict health teams coordinated activities and ensured management oversight, allowing for a smooth rollover to subsequent malaria strategic plans and incorporation of lessons.

The Burkina Faso Multi-Purpose Poverty Reduction Platform was integrated into activities within the institutional arrangement put in place at national level and, critically, at decentralized level, showing the importance of a program of this type to be able to benefit from local technical supervision if it is to avoid a high rate of equipment immobilization.

CAIIP-1 in Uganda showed that a project facilitation team within implementing ministries or sectors is critical for the success of externally funded projects.

The failure of BPEMS was partly because most Ghanaian counterparts were external consultants and there was no complementary civil service staff within the Ministry of Finance in the implementation team.[43] The MTEF project was well integrated into the PFM system, as the unit in charge of the project eventually became the Budget Development Unit of the ministry responsible for overseeing budget preparation and further development of the reform.

Multi-donor funded projects require strong recipient government leadership for effective coordination and timely disbursements

In the successful Burkina Faso Multi-Purpose Poverty Reduction Platform, commitment of national leadership and the adoption of a nationwide program gradually made the project a unique framework for planning, programming, funding, implementation, and M&E (in line with the country's strategic framework for poverty alleviation and the MDGs). The participatory approach helped mobilize program beneficiaries and improve structures and mechanisms for concerted action locally and nationally. The program had a clear delineation of responsibilities on policy orientation, strategic direction, and implementation; delegated project ownership and management to local authorities and stakeholders; and enhanced capacity-building and technical support for stakeholders and beneficiary communities.

Under the Ghana PUFMARP program, which was partially successful, the reforms were not well sequenced as the components were implemented independently of each other. This meant that the potential benefits of managing the reforms within a wider reform agenda were not realized.

Strategic and sequenced funding of projects is crucial

The Roll Back Malaria Partnership in Ghana suggests that substantial and targeted resources were key in getting the program to scale, as evidenced in the gains made from the initial 20 selected districts and subsequently nationwide. The implementation of interventions was limited to the district level due to lack of funds and capacity to move to scale. Funds were mobilized in 2002 from the Global Fund to implement some of the interventions in 20 selected districts, with the view to scaling up to the remaining 90 districts over the next five years.

In Ghana's PUFMARP, with different donors funding different areas, delays in release of funds by a donor for implementing interlinked components compromised implementation of the overall program.

Involving the private sector in EDF project implementation has proven cost effective in delivering on time and ensuring sustainability

The model of AngloGold Ashanti Malaria Control Ltd. showed good private participation in the Roll Back Malaria Partnership in Ghana. Its use of indoor residual spraying cut the number of malaria cases by half in the first two years. It also led to huge savings on malaria medication expenditure during the five years of execution (2005–10). Given the model's success, the program is being scaled up in a further 40 districts with a grant from the Global Fund.

Some projects are best left to the private sector

The Loumbila Fruit and Vegetable Processing Project in Burkina Faso was unsuccessful because of direct state involvement and ownership. It was a poor choice of project for direct state intervention. While the national development plan considers agro-processing a priority, the role of the state is to help crowd in the private sector, without direct state intervention.

Decentralization and collaboration with local staff are important

In executing the Multi-Purpose Poverty Reduction Platform in Burkina Faso, decentralization and diversification of multi-stakeholder sectoral partnerships were important for institutional changes. The funding mechanism and its operational modalities were readjusted to match these changes, giving much wider access to other partners.

The same project suggests that the priority given to maximizing results in local socioeconomic development indicators was supported by a solid M&E mechanism and periodic progress reviews; strong partnerships; and capacity building and institutional development plans mobilizing technical support at national, regional, and international levels.

In Uganda's CAIIP-1, implementation should have involved local governments and used existing materials and technical staff. EDF project implementation should involve local communities in the design and selection of projects according to their priorities, and involve them in monitoring project progress.

A sound monitoring and evaluation framework is vital

The Loumbila Fruit and Vegetable Processing Project in Burkina Faso underscores the weak monitoring role played by participating ministries, resulting in poor delivery. Coordination among major stakeholders—project management, donors, companies in charge of project implementation, etc.—was almost nonexistent, making it hard for rapid solutions to be found for problems. In Uganda, the success of CAIIP-1 proved that a multi-stakeholder monitoring process involving contractors, political leaders, district technical staff, and community leaders is important for an externally funded project to succeed.

3 3. Summary and concluding observations

3.1. Summary

3.1.1 The evolving development finance landscape

Volume, trend, and composition. The volume of EDF overall has been rising in the six study countries, but as a share of GNI has remained relatively flat over the last decade, marked by a shift from traditional ODA to other financial flows, notably international private capital flows (particularly FDI and remittances). NTDA (from emerging state and non-state actors), though growing, is a small share of EDF—less than 10%. China, India, Brazil, Republic of Korea, and the Gulf States dominate in the six countries. Vertical funds have also emerged as major players.

Terms and conditions of EDF are changing from concessional to nonconcessional as the share of international capital flows is increasing. Debt distress is increasing in some countries.

***Alignment of EDF** resources* has not kept pace with changing national priorities. While traditional areas of ODA financing are still priorities, the strong push for private sector–led growth and economic transformation, and in particular the quest for better infrastructure, has influenced nearly all government strategies for mobilizing EDF.

3.1.2 How government systems are adapting to the evolving landscape

Country planning and budgetary processes are only slowly changing. While most countries have prepared new policies or action plans to reflect the changing landscape, implementation has generally been poor and the institutional reforms lacking.

Policy and institutional frameworks for mobilizing EDF have remained largely unchanged over the last decade, and the weaknesses in the current frameworks have become more evident with the changing composition and terms of EDF, especially the lack of provisions for dealing with new actors. The six countries are, however, beginning to review their policies and practices.

Coordination and dialogue with DPs at national and sector level are generally good, but bringing new actors into the coordination platforms remains difficult. At district or local level, coordination is either ineffective or absent (apart from Rwanda).

Aid dependency and DRM are a challenge. Countries still depend too heavily on ODA and lack strategies to reduce their long-term reliance on it to achieve their development goals, but there is widespread recognition of the need to strengthen DRM.

3.1.3 How governments are engaging and managing emerging state and non-state actors

Strategies for engaging with new partners have changed little from the traditional format, and official documents define expectations and future strategic directions rather than policies.

In their ***institutional arrangements***, the six governments have no standards, protocols, or structures for dealing with emerging state partners, which is a missed opportunity, especially as the new actors—particularly China, Brazil, and India—seem more responsive to the countries' economic growth and transformation agenda, though dealing with them is as challenging as working with traditional partners.

Partnerships with new actors. Poor integration of emerging partners into the six countries' EDF architecture presents fundamental challenges. Though government officials acknowledge the different sets of operating procedures and requirements of new actors, there are no established procedures or strategies for engaging the new actors, which is partly why some have anxieties over the new actors. Engagement is often improvised and sometimes outside the countries' PFM systems. Private sector participation in managing EDF is generally sketchy, usually limited to annual meetings and PPPs—neither of which enable meaningful consultations.

3.1.4 How traditional donors are adapting

Traditional partners are dropping general budget support for project aid and some new models, including trilateral development cooperation. Donors are also using opportunities in the international capital markets to finance development directly or through development finance institutions and other intermediaries. Where aid is still channeled through governments directly, some donors have responded to the debate on aid effectiveness by calling for results-based aid or financing.

Momentum is lacking in implementing the Paris Declaration targets on use of country systems, predictability, untying of aid, etc. Tensions exist between representatives in the country, who want to be more responsive to country needs, and home offices, which tend to move more slowly and can be inflexible.

3.1.5 How technology platforms are enhancing data for better management, monitoring, and evaluation, and for stronger accountability and transparency

Use of technology to improve availability, quality, and timeliness of data involves an array of established aid management information systems. These systems are not, however, well integrated into PFM systems and these systems reveal weak accountability and transparency in the countries. Some countries have multiple and parallel systems that check the scope of data coverage. Ghana and Uganda still use spreadsheets to record aid data, leading to fragmentation and ineffective public tracking of aid data. Rwanda has a better recording system, but even where annual reviews are published online, infrequent updates limit the value of the data. Burkina Faso's Aid Management Platform has improved transparency in that country.

Monitoring and evaluation. The largely externally driven PAF is losing ground, and OECD–DAC donors have their own evaluation tools, publishing aid data as part of the OECD reporting requirements, to which most non-DAC donors are reluctant to sign up, given the resources these requirements demand. Data on loans are usually better recorded and monitored than data on grants.

Accountability and transparency are weak. Considerable governance challenges persist in the use of ODA-related resources. In Ghana, Uganda, and Zambia, a lack of clear process has created opportunities for malfeasance and embezzlement, while poor coordination between government agencies makes it hard to prosecute offenders. Absence of confidence in PFM systems partly explains the donor withdrawal from general budget support to countries, though Burkina Faso and Rwanda offer examples of improved accountability and transparency.

3.2 Concluding observations

The emerging landscape and the choices open to recipient countries have implications for engagement in the international aid architecture. Not least, they raise questions about commitment to the traditional principles of aid effectiveness: ownership, alignment, harmonization, and managing for results. They also raise questions about the future of development cooperation among DAC and non-DAC providers, between recipient countries and providers, and about the financing of regional projects and programs. Below, we highlight some key observations and offer some recommendations for recipient governments in sub-Saharan Africa as well as for development partners.

- ***Declining ODA.*** This is a major concern among recipient governments. In particular, the study notes the increasing importance of loan and non-concessional financing. These two phenomena have far-reaching macroeconomic implications for all recipient governments, but more importantly for countries like Ghana and Zambia that recently upgraded to lower middle-income countries, where the drop in ODA has been more precipitous. With weak macroeconomic fundamentals and increasing access to international private capital, these countries have doubled their debt burden in less than five years, reducing the fiscal space to finance transformative investments. The challenge going forward is how to efficiently manage and leverage declining grant resources to ensure better development outcomes. Two questions worth posing: Can recipient governments rely on domestic resources alone to close the public investment gaps? How can ODA be leveraged to boost capacity for DRM?

- ***Growing importance of non-traditional state and non-state actors***. Funding from non-traditional state and non-state actors is growing, though still a small component of EDF; but their approaches are sometimes at variance with those of traditional donors. Managing these relationships has been an on-going challenge for recipient governments as well as traditional donors, particularly since the study finds that development cooperation systems between governments and traditional partners are becoming less effective. Thus, is there a case to be made for a common aid platform at the country level? How can the dialogue between DAC and non-DAC donors be improved to support country transformation objectives?

- ***Disillusion with general budget support runs through all the country studies***. From the DP perspective, budget support—albeit well motivated and aimed at strengthening PFM and reducing transaction costs—has been a failure due to underlying governance challenges, leading to lack of trust and confidence in the budget process. From the six countries' perspective, budget support has become intrusive, laden with conditions, and a parallel effort, which does little to strengthen the process. The budget support mechanism has focused too much on macro management issues. And, while it may have a continuing role, it has turned out not to be the silver bullet promised around the end of the debt-relief era.

- ***The emergence of new development cooperation models***. At country level, traditional development partners are realigning their assistance to the market and exploring new development financing mechanisms: partial risk guarantees, development finance institutions, development funds, etc. Some donors are introducing the private-finance blending and the Trilateral Development Cooperation model to which Rwanda has been receptive. The question is: how will governments organize themselves to better coordinate and manage the plethora of options and ensure suitability for purpose?

- ***Weak public investment management***. Public expenditure management is a major concern. At country level, the study notes the weaknesses in public investment management. With the exception of Rwanda, planning and budgetary processes are weak and have not significantly evolved to respond to the changing external development finance landscape. Institutional fragmentation and poor delineation of functions within governments stifle efficient allocation and management of public finance. Planning and execution processes that in practice evolved essentially in sector ministries, departments, and agencies, lacked strategic direction, and produced unrealistic plans and budget requirements. The PFM initiatives introduced in the 1990s have not delivered the intended outcomes because of basic design and ownership problems. How then should governments organize themselves to achieve the objective of efficient public expenditure management?

- ***Challenges with monitoring and evaluation systems***. The study revealed weaknesses in data-gathering and reporting systems. The narrow scope and coverage of most of the data-gathering and management platforms and, in particular, the weak interface or the lack of it with the PFM systems, require further review.

Recommendations

- ***On declining ODA***, recipient SSA governments should take advantage of new parameters for development finance that have emerged in the context of the post-2015 perspectives. Notably, the Addis Ababa Action Agenda[1] sees the range and composition of development finance as evolving rapidly beyond the ambit of ODA in the areas of DRM (taxes and financial markets); non-concessional development bank finance (domestic, bilateral, and multilateral); FDI; and actions to arrest illicit capital flows (including via international tax cooperation). Alongside the Addis Ababa Action Agenda, major emerging initiatives are underway—or soon will be—that underline the need to find ways to approach and manage EDF strategically, including to increase infrastructure financing via the Group of 20 (G20) and a new Global Infrastructure Connectivity Alliance Initiative to map out future infrastructure networks around the world (**Annex 3**). The 2015 Paris Agreement on Climate Change brings another set of financial instruments to the table.

- ***On donor coordination***, it is evident that having a single coordinating body at the global level is becoming increasingly intractable. Instead, the practice of development effectiveness should revolve around the recipient government's processes and capacities. The Rwanda experience is instructive: recipient countries will have to be more strategic in sourcing and managing external financing for development. They should make their own strategic choices and manage the donors strategically at project implementation level and district/provincial level where information and priorities are shared and learning and dissemination processes are scaled up across the country.

- ***On public investment management***, recipient governments should have a well-articulated public investment program with adequate capacity for implementation. The program needs to (a) be based on a set of strategic priorities, which provides an overall framework for national expenditure planning and budget execution and evaluation, with a project list that reflects sector strategy and some preliminary rate-of-return analysis, which is then actively marketed among donors and private sources; and (b) bring all development partners and financial categories into an integrated framework. Uganda and Ghana have initiated public expenditure management assessments using the IMF public expenditure assessment framework.

- ***On aid management information systems***, it is essential to adopt a single data-gathering and reporting platform or harmonize the scope and coverage of the various aid management platforms to ensure comparability of data. This should be a collective effort by all stakeholders, led by the recipient governments.

ANNEX 1. Approach to the Study

Phase 1: Background, preparatory setup, and inception meeting

The first stage of phase 1 of the study began with setting up a project team internal to the African Center for Economic Transformation (ACET) and an advisory team of various experts in international development finance; and initiating a document review to provide preliminary factual background material, for example on the political economy of the study countries and their status relative to the study's objectives. Following the desk research, the preliminary design of the basic template of country field research and the recruitment of country research partners was undertaken. A review meeting on the draft inception report by the advisory team was held on March 20, 2015 during the ACET-ODI High Level Summit on Financing for Development held in Accra.

To improve the project's focus, design, and delivery of project objectives, in the second stage of phase 1, ACET convened a project inception workshop in Accra on May 6–7, 2015. The objectives were to: (a) review the project focus; (b) agree on country budgetary/aid allocations that would be considered transformative for the purposes of the study, and by which actual country budgetary/aid allocations would be assessed; (c) discuss the template for the fieldwork with the view to developing the final template, informed by the experience and perspectives of the country researchers; (d) discuss and finalize the list of stakeholders for each country; and (e) finalize the process and the timeline of the project.

This event attracted and networked the core advisory team, selected country research partners, and other technical experts. It was also attended by key government officials directly involved in aid management and public finance in the various countries in the study. The participation of these officials at the inception meeting did not only inform the design of the fieldwork but enriched the discussions on how to engage policymakers in the study at the outset to strengthen buy-in. The inception report immensely benefited from the comments and suggestions from both the review meeting and the inception workshop.

One key activity under this phase was the extensive research into the current thinking on aid management models and channels of financial flows, which culminated in blogs related to finance for development. These blogs attempted to fill some of the gaps for the debate from the African perspective.

Phase 2: Fieldwork and preparing country reports

Each country case study was organized to respond to the project objectives as stated above. Research partners combined both qualitative and quantitative data in the fieldwork through broad-based consultation process including surveys, interviews, and a workshop. The survey ensured broad participation of stakeholders in the study. The interviews complemented the survey questionnaire to ensure a deeper interaction with key stakeholders. Country-level validation workshops provided a wider platform of engagement to validate the report findings and recommendations.

Each case study covered the following components:

- A review of country policies and strategies of external resource mobilization including their exit strategies.
- A study of key national institutions, processes, and the nature of coordination among institutions for raising, allocating, and managing external development finance;
- A study of the "external development finance landscape" in the country—the key traditional donors, the emerging/new donors, other nonconcessional facilities, the nature of operations by the two types of donors; the nature of coordination among the various donors (i.e. among traditional donors; among new donors; and between traditional and new donors); and the overall nature of donor-government relations; and the leveraging of the new international tax cooperation agenda to capture revenue leakages.
- How the country's sources of external funding are changing in light of the changing external development finance landscape and the different practices among the various types of donors;

- How the national institutions, donor practices, and management of the new external development finance landscape are influencing the intermediate outcomes of:
    - Amount of external development finance committed and being received by the country;
    - How well external development assistance is aligned with national plans, considering both traditional ODA as well as aid from the key new actors (e.g. South–South cooperation);
    - Predictability of external development resources (committed versus actual disbursements and timely delivery of resources);
    - Timely and satisfactory completion of projects; and
    - Transparent accounting of external development finance disbursements;
- In-country mechanisms for capturing data on aid, including off-budget aid—by the government, by donors, and how they are shared among the actors; and
- The roles that technology can play to improve the availability, timeliness, and quality of the data on external development finance flows?

The country research teams also selected and prepared two case studies of recent development projects (successful and not so successful ones) with a focus on project selection, recipient-donor relationship, project negotiation and implementation design, policy learning, and the nature of internal coordination within government systems with the goal to deliver policy relevant conclusions from the case studies.

Country studies were subjected to a sequential evaluation process: draft reports were submitted to ACET for review, and after they were revised to incorporate ACET's comments, country validation workshops were held in each country. Country research teams then finalized the country reports and submitted their final reports to ACET.

Phase 3: Final report and dissemination

Based on the findings of the country reports, ACET prepared a draft synthesis paper, which the advisory team reviewed. Country researchers also provided inputs to the synthesis report. The last stage was a policy learning event for African policymakers and donors from the six study countries to discuss the findings and recommendations of the country reports.

ANNEX 2. Situational analysis of study countries

This annex provides a brief overview of the profiles of the study countries, and focuses on their political and economic governance; recent economic performance; and development plans.

Political and economic governance

The selection of the six study countries was not based on governance criteria alone, but they did happen to fall into two broad categories on democratic governance: those that over the last decade have witnessed democratic transitions through fair and open elections—Ghana, Tanzania, and Zambia; and those who have been dominated by a single regime for a decade or more: Burkina Faso,[44] Rwanda, and Uganda. While this split does not necessarily suggest correlation with good governance and economic performance, it does provide some insights into the relations the various regimes have with development partners (DPs). First, a glimpse at recent history.

Burkina Faso is gradually consolidating its democracy after political turmoil, which saw in 2014 the overthrow of a regime that had ruled the country for almost three decades. During the period of unrest, DPs continued to support the country with new funding and promised technical and financial support for elections. The 2016 Bertelsmann Stiftung's Transformation Index (BTI) reports that following the "2014 revolution", citizens have shown increased consciousness in their ability to influence government and participate in political processes, although only a few are aware of their rights and duties. Traditional donors continue to support the country in consolidating the democratic shift.

Ghana has been touted as the poster child of democracy in Africa. Elections in December 2016, which were peaceful and considered credible, further reinforced that reputation. Yet challenges of economic governance are a major concern to DPs and have influenced almost all DPs to withdraw support under the multi-donor budget support system.

Tanzania and Zambia (detailed below) have had bumpier paths. Tanzania has held several elections, which have always been dominated by one political party. The 2015 elections were marred by secessionist tendencies and general discontent in Zanzibar, unleashed after the initially annulled and then repeated regional elections in 2015. Following the outcome of the elections, the United States suspended negotiation of the Millennium Challenge Compact (MCC) Compact II with potential funding of USD 472.8 for electricity projects, citing the elections as "neither inclusive nor representative" and a cybercrimes law as a gag on freedom of expression. The country's new president is committed to fighting corruption, prudent use of resources, and pursuing inclusive growth.

Since the genocide of 1994, a single political party has ruled Rwanda, a pattern likely to continue after a referendum in December 2015 that gave the president the mandate to extend his term in office.[45] While this raises concerns within the development community, the country's excellent economic performance and low corruption also earn it praise. The country has been classified as an incipient developmental regime with centralized control of economic rents, suppression of corruption, positive social and economic policies, and the potential to drive economic transformation (Booth 2015). One hallmark of Rwanda's political landscape is the high priority given to accountability, which has benefited its campaigns to mobilize external resources. Despite this, in 2012, official development assistance (ODA) to the country was at some point frozen or withheld by the United States, Germany, United Kingdom, Sweden, and Netherlands on grounds of political oppression, human rights abuse, and support to terrorist groups.

Uganda is held in tight grip by its long-reigning president and his party. The last presidential and legislative elections in 2016 gave the incumbent another five-year term. Reports of bribery, voter intimidation, and arbitrary arrests of critics and opposition leaders give reason to question the legitimacy of the polls. Dissatisfaction at home with the country's political and socioeconomic development is increasing.

Zambia until recently was considered a fairly democratic and politically stable country. After its 2015 elections, violence between security forces and opposition supporters and numerous accusations about unfair election procedures have tainted its record. The contested elections have demonstrated the division of the country and a growing discontent with the political elite, due to the country's stagnating socioeconomic performance in recent years and repressed political and civic liberties. Governance challenges, even before the elections, led several DPs to suspend general budget support.[46]

On the Mo Ibrahim Index of African Governance (IIAG 2015), four of the study countries (Ghana, Zambia, Tanzania, and Uganda) performed well above the Sub-Saharan African (SSA) average of 50. Burkina Faso and Rwanda performed below that SSA. Ghana ranked 8th (with a score of 63.9 out of 100) out of 54 African nations, reflecting a relatively stable political environment, with the media, civil society and academia playing increasing critical roles in governance issues. Zambia scored 58.3, ranking 13th in 2015 (one place below its 2014 rank), Tanzania scored 56.5 (18th), and Uganda with a score of 56.3 ranked 19th. Burkina Faso has stagnated in its political governance performance over the past decade, ranking 24th (50.6) in 2005 and 23rd (51.8) in 2015. The Rwandan government's politically repressive environment, which allowed little political and civic freedom, is mirrored by the countries 36th rank in 2015. There are, however, signs of growing strength and capability of civil society, with the emergence of the Rwandan Civil Society Platform and the Network of International NGOs, which speaks on behalf of NGOs.

Ghana, Rwanda, and Zambia have made strong gains on economic governance over the last decade. Measured by Transparency International's Corruption Perceptions Index (CPI), Rwanda is one of the best performers on the continent, at 44 out of 168 countries in the 2015 index. Ghana has shown a steady improvement in its ranking since 2011, having ranked 65 out of 159 countries in 2005, then ranking 56 out of 168 counties in 2015. Zambia's corruption has abated slightly as indicated by a 76th rank on the CPI in 2015 compared to a 107th rank in 2005. Despite these improving indicators corruption and governance issues are considered major obstacles to boosting economic development and attracting new sources of development finance in both Ghana and Zambia.

Burkina Faso's CPI has been deteriorating, moving from 70 in 2005 to 76 in 2015. Corruption and governance issues remain the greatest threat to the efficient mobilization of domestic and external development resources. The situation may, however, improve with the regime change in 2015. *Tanzania,* corruption has been on the rise over the past decade. From a rank of 88 in 2005, the country ranked 117 in 2015. However, the recent change in political leadership with a focus on reigning down on corrupt practices may augur well for the future. *Uganda* is the least ranked of all the study countries and has consistently dropped in the CPI ranking; it ranked 117 out of 159 countries in 2005, and 139 out of 168 countries in 2015. Over the last few years, the pervasiveness of corrupt practices has marred the country's relationship with some key donors –the UK Government recently cut aid to the country for corrupt practices relating to UK ODA.

Economic backdrop

Income status

Apart from Ghana and Zambia, which attained middle-income status in 2010 and 2011 respectively, the other study countries are in the lower-income category. Following statistical rebasing of the Ghanaian and Zambian economies to capture new sectors, Ghana's GDP went up by more than 60% in 2010 to $1,381, and Zambia's by 25% in 2011 to $1,307. With the rebasing lowering the debt-to-GDP and budget-deficit ratios of both countries, they were in a better position to take on additional debt to finance their public infrastructure investment. Zambia sold $1 billion in its first sovereign dollar bond in 2012.

GDP per capita in Burkina Faso ($613), Rwanda ($697), and Tanzania ($839) puts them in the category of lower-income countries. These countries have targets of reaching middle-income status by 2025, and Uganda ($527) a target of 2020. All the countries reviewed are IDA members with access to concessional funding.

Human development

Two of the study countries—Ghana and Zambia—are in the medium Human Development Index (HDI) category and rank above the SSA average of 0.518. Ghana has consistently ranked 140 out of 187 countries in 2012, 2013, and 2014. Rural poverty has fallen sharply, enabling it to become the first country in the region to meet the poverty target under the MDGs. Similarly Zambia ranked 138 in 2010 but has maintained the 139 position in 2013 and 2014.

The HDIs for the other study countries lag behind the 0.502 average for the world's least developed countries (LDCs), and the 0.518 average for SSA. In Burkina Faso, poverty declined from 46.7% in 2009 to 40.1% in 2014, but the country still ranked almost at the bottom of the HDI: 183 out of 187 countries in 2014. Uganda has fallen three places in the HDI since 2010, from 160 to 163 out of 187 countries in 2014. Poverty in northern Uganda still remains more than twice the national average.[47] Tanzania improved its HDI ranking marginally, from 152 in 2010 to 151 out of 187 over the past four years. Despite high economic growth, Tanzania has not reduced poverty. Rwanda made the biggest gain in HDI rankings, rising seven places from 170 in 2010 to 163 in 2014. Poverty is still rife, however, with 60.4 % of its population living on less than $1.90 a day in 2013.

GDP growth

The study countries witnessed impressive growth rates in the early 2000s through 2010, but not since (**Table 1**). It was particularly high in Rwanda and in the resource-rich countries of Ghana and Zambia. Growth in GDP per capita has not, however, kept pace with the GDP growth rate for the countries during 2005–15. In 2015, the economies grew at slower rates than in the previous 10 years. Despite the slowdown, the performance of the study countries was still above average SSA GDP and GDP per capita growth rates of 4.9% and 0.2% during the period. The economic outlook remains positive.

Burkina Faso's economic gains throughout the 2000s have slowed due to falling global commodity prices for the country's main exports: gold and cotton, and the surge in defence expenditure in the final quarter of 2015, following the recent political turmoil. With the return to democratic rule and the recovery of mining activities, Burkina Faso is expected to grow by at least 5% in 2016 and 5.9% in 2017.

Ghana, having recorded an unprecedented growth rate of 14% in 2011 saw the economy slow due to decreased cocoa output, severe electricity shortages, falling international commodity prices, and distortions in macro fundamentals. It is expected that in 2016, growth will recover slightly to 5.8% in 2016 and 8.7% in 2017—on account of the new oil and gas explorations, improved electrical power supply and consolidation of macroeconomic stability.

Uganda, since achieving record 9.6% growth in 2011, has also decelerated. With a growth of 5% in 2014–15, Uganda's economic outlook seems positive; it is however, highly contingent on the government's ability to maintain macroeconomic stability and tackle corruption. Growth in 2017 will be driven by the industry and services sectors, and by public infrastructure investments.[48]

Tanzania's medium-term growth is projected to outperform the records of 2014 and 2015.

Rwanda has witnessed stable economic growth over the past decade. GDP per capita rose by 63%, with sustained investments in energy, transport infrastructure, and *African Economic Outlook* (2016) forecasts continued progression in industry and a recovery in services in 2016 and 2017. The economic outlook for Zambia is less sanguine. With growth dropping from 10.3% in 2010 to 3.2% in 2015, and copper prices at their lowest in more than seven years, low agricultural output and a worsening electricity crisis, growth is expected to slow in 2016 and 2017.

Table 1 GDP growth, 2005–15 (%)

Country / year	GDP growth rate				Growth rate GDP per capita			
	2005	2010	2015	Avg. 2005-15	2005	2010	2015	Avg. 2005-15
Burkina Faso	8.66	8.4	4.0	5.81	5.5	5.2	1.0	2.69
Ghana	5.90	7.9	3.9	7.01	3.2	5.2	1.5	4.37
Rwanda	6.91	7.3	6.9	7.61	4.8	4.5	4.4	4.97
Tanzania	8.17	6.4	7.0	6.62	5.0	3.0	3.7	3.35
Zambia	7.24	10.3	3.2	7.03	4.4	7.1	0.1	3.93
Uganda	6.33	5.2	5.0	6.72	2.8	1.7	1.7	3.24
SSA	5.55	5.5	3.0	4.88	2.8	2.7	0.2	2.07

SOURCE: WDI (2016).

General business environment

The business environment performance is crucial to external development finance as it largely dictates the flow of other forms of external development finance beyond ODA, especially that of the BRICS, foreign direct investment (FDI), remittances, etc. To assess the business environment in the study countries, three indices are reviewed: Ease of Doing Business Index (EDBI), the Global Competitiveness Index (GCI) and the DEPTH indicators. As indicators of the business investment climate, the EDBI and GCI provide an overview of private sector performance globally. The DEPTH indicators are computed by the African Center for Economic Transformation (ACET) and track structural changes in the sectoral composition of the economy as outcome indicators of a country's transformation trajectory.

EDBI and GCI rankings

The 2017 EDBI ranks Rwanda, Zambia, and Ghana among the top 10 easiest places to do business on the continent. However, Rwanda aside, which has consistently ranked above 62 out of 189 countries on the EDBI over the last decade, and has an equally impressive performance on the GCI, the rest of the study countries' performance has been lacklustre on the two indexes. On the EDBI, Rwanda improved six places from 62 to 56 of the EDBI between 2016 and 2017 on account of its excellent performance in registering property (4), getting credit (2), and paying taxes (59). The country's ranking on the GCI is equally impressive at 58 out 140 countries in the 2016–17 GCI report.

Zambia's EDBI ranking dropped to 98 out of 190 countries in 2017. The country performed relatively better in the areas of dealing with getting credit (20), paying taxes (58), and construction permits (78), but performed abysmally in the category of trading across borders (161), getting electricity (153), and registering property (145). Its competitiveness ranking is also weak: for the same period (2016-17) it was 96 out of 140 countries.

Ghana ranked 108 out of 190 countries in the 2017 report, a few places above its 114 rank in the 2016 report but below its all-time best of 63 in 2012. The 2017 report noted that Ghana is the first economy to open a collateral registry on the continent, issuing $1.3 billion financing for small companies. Its performance on the GCI is at 119 out of 140 countries.

Uganda moved up seven places to rank 115th out of 190 countries in 2017, while Tanzania moved up seven places to rank 132nd. Burkina Faso has consistently ranked poorly on the EDBI. Its best ranking was in 2016, at 143 out of 189 countries. In the 2017 rankings, it fell three places to 146.

As with the EDBI, the GCI of these countries is unimpressive.

Table 2: Economic Growth Indicators for Study Countries

Indicators	Burkina Faso	Ghana	Rwanda	Tanzania	Uganda	Zambia
Income bracket	LIC	LMIC	LIC	LIC	LIC	LMIC
MIC target year	2025	Attained	2025	2025	2020	Attained
GDP per capita ($) 2015	613	1,381	697	865	676	1308
GDP growth 2015 (%)	4.0	3.9	6.9	7.0	5.0	3.2
***Doing Business* rank 2017, of 190**	146	108	56	132	115	98
Rank in *Global Competitiveness Report*, of 140		119	58	120	115	96
***African Transformation Index* rank, of 21**	21	16	18	12	5	13

SOURCE: Compiled by ACET from World Development Indicators (2016); World Bank, *Doing Business* (2017); World Economic Forum, *Global Competitiveness Report 2016-2017;* ACET, *African Transformation Report* (2014).

NOTE: LIC = Low-income country. LMIC = Lower-middle-income country. MIC = Middle-income country.

DEPTH rankings

The structural composition of the economies of the study countries did not change much in 2005–15. The economies are still largely dominated by agriculture and low-productivity service sectors; manufacturing is less than 10% of GDP value added; and for the resource rich countries (Ghana and Zambia) the extractive sectors dominate export earnings and are subject to volatility in commodity prices.

The six study countries are part of the 21 countries assessed in the African Transformation Index (ATI 2014) compiled by ACET using the DEPTH ranking.[49] Based on this assessment, progression on the economic transformation trajectory has been slow for all of them. The least transformed are Rwanda (18 out of 21 countries) and Burkina Faso (21 out of 21). Rwanda has, however, shown good promise, with efforts to diversify its economy focusing on manufacturing and export competitiveness. Despite the country's strong economic growth and improvements in access to services and human development, reflected by a two-thirds drop in child mortality between 1990 and 2015, extreme poverty remains widespread. Burkina Faso ranked at the bottom on all DEPTH indicators.

Uganda has seen the biggest gains in economic transformation, ranking fifth out of 21. The country ranked first in productivity and third in technology, but its overall performance is dragged down by low export competitiveness (10th) and unsatisfactory human wellbeing (10th). Ghana ranked 9th in 2000, but dropped to 16th position in 2010. By 2010, export competitiveness and human wellbeing were the country's strengths; diversification and technology upgrading were areas requiring considerable improvements. Tanzania improved slightly from 13th in 2000 to 12th in 2010, with room for improving productivity (14th), technology (15th), and human wellbeing (13th). The country performs relatively well on export competitiveness (6th) and diversification (9th). Zambia's economic transformation has not been a success story with a rank of 13, after ranking 12th in 2000. This is due to poor performances on diversification (16th) and export competitiveness (14th) and mediocre performances in productivity (10th) and human wellbeing (11th).

Ghana, Zambia, and Tanzania were among the top 10 investment destinations on the continent in 2015, with FDI inflows of $2.5 billion, $2.4 billion, and $2.3 billion respectively (AEO, 2016). Both countries attracted FDI from the United Kingdom, France, the United States, and from the emerging economies of China, India, South Africa, and the United Arab Emirates. From 2005 to late 2015, FDI inflows to Ghana shot up, from 1.3% of GDP to 8.4% in 2015, largely due to increased inflows of capital from China, particularly to the mining, oil and gas, and banking sectors.

In Zambia, FDI inflows (mainly to mining) rose from 4.3% of GDP in 2005 to 7.8 % of GDP in 2015. Tanzania's FDI inflows fell from 5.5 % of GDP to 4.4% in 2005–15. Uganda's FDI inflows averaged 4.7% of GDP, but fell from 4.2% to 4% over the period.

The major investment sectors have traditionally been construction, banking and financial services, and telecommunications, but transport and communications have taken a prominent place since 2012. The country's oil sector is expected to be the country's most attractive sector in the future.[50] FDI inflows to Rwanda increased from 0.4% of GDP in 2005 to roughly 3.9% of GDP in 2015. Over the period, average inflows of FDI into the country were 2.2%. Due to high logistical and transportation costs, Burkina Faso has traditionally not attracted significant sums of FDI. The average inflow of FDI as a share of GDP into the country over the period was 1.5%, with a peak of 4% in 2013.

Development planning

All countries have medium-to-long-term strategies and infrastructure emerges as a major priority in all the study countries.

In Burkina Faso, the government is implementing the Strategy for Accelerated Growth and Sustainable Development. The key pillars are: economic consolidation and accelerated growth; private sector promotion; development of human capital and economic infrastructure; and promotion of good governance. The new government plans to move away from the economy's high dependence on primary commodities such as gold and cotton towards value-added industries through increased infrastructure expenditure and an improved business environment to attract FDI.

Rwanda's long-term development plan is defined by its 'Vision 2020' strategy that seeks to transform the country from its low-income agriculture base to a human capital intensive, services-oriented middle income economy by 2020. The government plans to achieve its long- term development goals through its highly ambitious medium- term Economic Development and Poverty Reduction Strategy, which focuses on macroeconomic policies in economic transformation, rural development, productivity, and youth employment.

Tanzania is pursuing its second Five Year Development Plan 2016/17 – 2020/21 (FYDP II) titled 'Nurturing Industrialization for Economic and Human Development' and aims to bring about industrialization, human development and a strengthened private sector.

Uganda's long-term development plan is formulated by the highly ambitious Uganda Vision 2040, which intends to transform the country into an upper-middle-income country with a per capita income of $9,500 by 2040. Aligned with its vision, the government has delivered a series of five-year National Development Plans aimed at increased competitiveness and employment. Infrastructure development continues to be a national development priority in this plan. The government has embarked on a drive to upgrade major transport infrastructure. In the road sector $913.4 million (UGX 3,328 billion) was allocated in the 2015/16 budget, an increase of $206.7 million (UGX 753 billion) from the 2015/15 budget. Commitment to the sector was reflected in the 2016/17 budget, with allocations increasing to $1,050.5 million (UGX 3,828 billion).

The Zambian government is finalizing its 7th National Development Plan 2017-2021, which intends to have practical implementation strategies with a focus on poverty reduction and strengthened linkages between budgeting and planning, and the ultimate objective of economic transformation.

ANNEX 3. Emerging initiatives

The emerging initiatives include China's Johannesburg Action Plan with its objectives of joining up Africa with connectivity infrastructure and to help African industrialization, both of these objectives were taken up by the G20 at its Hangzhou meeting in 2016. Much regional cooperation is involved, a missing element in the country-based coordination structures investigated in this study. Also picking up is the climate finance system, in which countries will need to be proactive with strategies and projects in order to benefit from the associated financing and income streams. The interaction between public policies and investments and private investment for industrialization and renewable energy technologies is a source of dynamic transformation, which can attract investors with new business models.

Other multilateral development banks may soon follow the reforms introduced by the Asian Development Bank, merging the concessional and non-concessional balance sheets, which could multiply the lending capacity of the World Bank and the African Development Bank by a large factor. In line with this, the World Bank's IDA 18 seeks to leverage its equity by accessing the market to scale-up lending operations to IDA countries –from 1:2 in IDA17 to 1:3 in IDA18. Under the Private Sector Window of IDA18, $2.5billion is intended to expand private investment in IDA-only countries, with a focus on IDA-eligible countries. Thus the constraint on development finance is much more the capacity of countries to identify and prepare a much larger portfolio of public investment projects. A strong public investment program is a central instrument for managing external development finance.

A new Global Infrastructure Connectivity Alliance Initiative bringing together 11 multilateral development banks, including new and old institutions, has emerged under the aegis of the G20. Its role will be to map out new infrastructure networks for the future around the world. This could provide the framework in which African countries could build up their capacities and plans for major public investments, including cross-border public investments and sustainable cities, with large job-creating impacts. Finally, there is a proposal forthcoming from Germany for a massive financial effort directed at stabilizing African migration flows to Europe.

Collectively, these prospects imply urgency in drawing the lessons of this study and applying the overarching framework of the United Nations 2030 Agenda and the African Union 2063 Agenda to reform PFM in Africa.

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FOOTNOTES

1 We adopt the OECD definition of ODA, which includes Development Assistance Committee (DAC) (traditional partners) and non-DAC members (non-traditional partners) who provide concessional assistance with more than a 25% grant element. Following the outcome of the DAC High Level Meeting to modernise the measurement of development finance including ODA in 2014, it was agreed that, though the value of both grants and loans was counted as ODA, only grants and the "grant portion" of concessional loans would be considered as ODA from 2018. **http://www.oecd.org/dac/financing-sustainable-development/concessional-sovereign-loans.htm**

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10 Anyanwu J. C. And Yameogo (2015), *"What Drives Foreign Direct Investments Into West Africa? An Empirical Investigation"*.

11 In Ghana, this is being led by the Ministry of Foreign Affairs and Regional Integration, which recently developed a diaspora engagement initiative.

12 The Bank of Uganda is considering floating bonds backed by remittances.

13 Emerging state and non-state actors (Table 1).

14 Data on emerging state actors is derived primarily from OECD and may be underreported, as other sources are not included, though the additional data are unlikely to change the composition of EDF significantly.

15 Although China is included under DAC, it is classified in this study as a non-traditional partner (emerging state actor or new actor).

16 Including the Bill & Melinda Gates Foundation, the William and Flora Hewlett Foundation, the Rockefeller Foundation, the Gatsby Charitable Foundation, the Sasakawa Foundation, and the Tony Elumelu Foundation.

17 It must be noted that DAC donors also channel assistance through these intermediaries.

18 See country report for details.

19 Press Statement by the World Bank, (2016) [online] Available at: **http://www.worldbank.org/en/news/press-release/2016/09/13/world-bank-statement-on-withholding-new-lending-to-uganda** [Accessed 15 September. 2016].

20 See country report.

21 Credit ratings by Moody's.

22 Country Policy and Institutional Assessment score on debt policy rating (1=low to 6= high).

23 With some 21 bonds (worth $18 billion) from African countries between 2013 and 2015, by 2016, only one country –Ghana— was successful in securing $750 million out of the $1 billion floated. Steve Johnson (2017). African bond issuance slumps to six-year low. Financial Time [online] Available at: https://www.ft.com/content/a1fbf3c2-dd9a-11e6-86ac-f253db7791c6 [Accessed Jan 22, 2017].

24 Including health, agriculture, peace building, and water and sanitation.

25 Prizzon et al. (2016) An '*Age of Choice*' for development finance? Evidence from country case studies, ODI report.

26 From 2003 to 2015, eleven bond loans covering seven fiscal years have been issued for a total amount of CFA 393 billion auctioned. The amount of auctions was FCFA 670 billion for FCFA 512 billion identified. The resources raised have been allocated to the financing of various budget deficits

27 The OECD-DAC report notes: "Government officials were not particularly interested in multi-partner coordination mechanisms, perhaps stemming from the lack of capacity and strategic management. They preferred to deal with non-DAC providers on a bilateral basis (apart from inviting them to the set-piece, high-visibility "diplomatic" meetings); and they had little inclination to urge these providers to join existing "Development Partners"-initiated frameworks. It would not be surprising if the non-DAC providers took their cue from governments." OECD (2014), The New Development Finance Landscape: Developing Countries' Perspective

28 This includes investment under Compact II for the energy sector, Western Corridor railway lines, and the landing beach projects under the China Development Bank (CDB) facilities. Under the $3 billion CDB facility arranged in 2013, the country is negotiating to access the remaining $1.5 billion.

29 The Ministry of Finance has the following desks in charge of some of the major emerging state donors: Iran/India/Kuwait/Others Unit and the Japan/China/Republic of Korea Unit.

30 It must be noted, that this is in contrast with the situation in countries like Kenya, the national budget captures Chinese assistance. See Prizzon and Hart (2016) ODI.

31 By domestic private sector, we mean NGOs, and the private for-profit institutions. Understandably, their incentives and approaches when it comes to their collaboration with governments are totally different but the increasing share of international private capital funds in the total development finance to developing countries makes it crucial for their future participation in external development financing initiatives.

FOOTNOTES

32 See Annex 6 for the definition of economic transformation.

33 In part related to concerns over accountability and government deviations from stated development plans and budgets, as well as other disagreements with DPs on delivering and tracking EDF.

34 The call in budget support was due to diverging views of government and donors over political governance issues and the use of public funds in 2012.

35 The United Kingdom's aid strategy published in 2015 rules out general budget support, but in 2008 at the Accra High Level Forum on Aid Effectiveness, its representative had vociferously argued for strengthened language in favor of such support.

36 For example, in Ghana, the size of AfDB's projects ranged from $14.3 million to $164 million.

37 This is a form of South–South cooperation where a traditional donor provides development assistance to a third country through a Southern government.

38 The Aid Management Platform is not widely used, because it does not capture information that may be particular to certain DPs and is not always accessible, and therefore has to be used in tandem with the old spreadsheet method.

39 Including on the web.

40 Adopted in 2006 by the heads of state of ECOWAS.

41 1,465 multipurpose platforms, with over 507 empowerment activities undertaken (see country report).

42 39,022 women had access to loans of almost 2 billion FCFA for the development of income-generating activities with a net benefit of almost 700 million FCFA during the period. Training in simplified bookkeeping was given for over 22,00o women, and a variety of other interventions took place. See Burkina Faso country report.

43 In response to lessons learned, the current World Bank PFM Program is being managed from the PFM Secretariat within the Ministry of Finance.

44 Though there has been a regime change in Burkina Faso since the study was conducted, data and analysis reflect the pre-2015 regime change.

45 when 98 % of voters decided to amend the constitution in a way to allow a third presidential term, although the term of office has been shortened from seven to five years in that same referendum.

46 As at the time of the study in 2016, only the World Bank and the African Development Bank were providing General Budget support to Zambia. There were general concerns with accountability and deviations from stated development plans and budget. This is against the background of a corruption scandal involving the Global Fund allocation to the Ministry of Finance in 2009.

47 African Economic Outlook 2016

48 African Economic Outlook 2016

49 The ATI DEPTH indicators are: diversification, export competitiveness, productivity increases, technological upgrading and human well-being.

50 African Economic Outlook (2016)

ACET African Center for Economic Transformation

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