BEYOND ODA: NEW APPROACHES TO DEVELOPMENT FINANCING IN AFRICA

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In the post-2015 era there has been a gradual shift away from traditional methods of development financing. Increasingly, the donor-recipient model that shaped the Millennium Development Goals is by itself deemed insufficient for the global action required to end poverty. Simultaneously, there is a greater push from the Global South for autonomy and ownership over domestic development agendas. This brief explores this shift with a focus on Africa, highlighting the new and diverse approaches to development financing being taken on the continent to realise key commitments such as UN Agenda 2030 and AU Agenda 2063.

When formulating a successor to the UN's Millennium Development Goals (MDGs) a shift in the global development paradigm presented new challenges to be incorporated into the post-2015 development agenda. One such challenge was that of development financing. Increasingly, the donor-recipient model of financing that shaped the MDGs, is by itself deemed insufficient for the global action required to end poverty. Simultaneously, there is a greater push from the Global South for autonomy and ownership over domestic development agendas. From Africa, this has been showcased in Agenda 2063's Goal 20: Africa Takes Full Responsibility for Financing her Development and in the Common African Position on the Post-2015 Development Agenda (CAP).

Agenda 2030 has worked to reflect this paradigm shift in the Sustainable Development Goals (SDGs) with SDG17: Revitalize the Global Partnership for Sustainable Development. The targets of SDG17 address key areas of cooperation needed for achieving the other 16 goals, with a primary focus on collaborations for financing and capacity building. While referencing the need for continued Official Development Assistance (ODA) in Target 17.2[1], SDG17 moves beyond the limited ODA approach of the MDGs, encouraging a more diverse range of collaborations in trade, technology and resource mobilisation for achievement of the goals.

In expanding beyond donor-heavy finance, SDG17 emphasises that international collaboration should not undermine national ownership, which is codified in Target 17.15: Respect Each Country's Policy Space[2]. Within an African context, SDG17 better synchronises Agenda 2030 with the CAP and Agenda 2063. Targets 17.1: Strengthen Domestic Resource Mobilisation[3], 17.3: Mobilise Additional Financial Resources from Multiple Sources[4] and 17.9: Enhance International Support for Capacity Building[5] are reflective of the CAP's Pillar VI: Finance and Partnerships, that details the need to diversify development financing through partnerships, while also collaborating to build capacity for domestic revenue mobilisation. However, despite the rhetoric of SDG17, views on development financing in the Global North and Global South differ notably, while major global initiatives surrounding development financing have had mixed receptions.

The Addis Ababa Action Agenda (AAAA), the primary global policy document for financing sustainable development, stressed the need for continued partnerships through ODA, re-emphasising the 0.7% target, while also focusing on the need to scale-up targeted capacity building, collect more taxes and to fight tax evasion. But many CSOs and NGOs* have voiced concern over the lack of new mechanisms introduced to implement such plans. At the Third International Conference on Financing for Development that preceded the Agenda's publication, Organisation for Economic Co-operation and Development (OECD) countries rejected a proposal to shift discussions on international tax cooperation away from the OECD to a new forum where developing countries might have greater input. Concerns were also raised that no new tracking mechanism has been introduced to monitor ODA commitments, which many developed countries have been failing to meet for years. Outside of the summit in Addis Ababa, the African Capacity Building Foundation has highlighted concerns over the format of development assistance. While many African countries favour using budget support grants that would be disbursed and managed within their own systems, bilateral donors have not warmed to the idea. The challenges brought to the fore in Addis Ababa and other forums suggest that existing approaches are not matching the rhetoric of SDG17 and shows the need for innovation in the realm of development financing.

The High-Level Policy Dialogue on Development Planning in Africa, hosted in Cairo July 2018, sought to bring the discussion away from ODA to other forms of collaboration. It highlighted the challenges in mobilising domestic revenue in Africa, while discussing potential solutions and strategies to address such challenges. The issue of illicit financial flows (IFFs) was addressed as a major obstacle, with the continent losing an estimated $100 billion annually through IFFs. It was suggested that halting this outflow of potential development finance would require cohesive international agreements on tackling IFFs, the closing of tax loopholes and collaboration to increase the scope of IFF data.

Another challenge highlighted was the instability of financial flows from commodity exports, subject to the price fluctuations of the global market. With African exports dominated by primary commodities, changes in global prices often negatively impact domestic revenues and subsequent ability to pursue development agendas. However, the example from Ghana and Côte d'Ivoire of a Strategic Partnership Agreement, concerned with developing resilience in the cocoa market highlighted potential solutions to this problem. Ghana and Côte d'Ivoire are major cocoa producers, responsible for 60% of the world's cocoa output. However, in 2017 a 20% fall in global cocoa prices hurt jobs and revenue in both countries. Through the Strategic Partnership Agreement, Ghana and Côte d'Ivoire are striving to stabilise domestic revenue flows, as well as farmers' incomes, by protecting the West African cocoa market from future shocks. Specifically, they are collaborating on the development of a price floor and an international cocoa standard.

The conference in Cairo also offered Islamic Finance as another potential source of development financing for both Muslim-majority and non-Muslim-majority countries in Africa, through collaboration with Islamic Financial Institutions from the Middle East. Investments made by Islamic Financial Institutions have strict guiding principles for investment that make them adherent with Targets of SDG17 in a way that traditional donor-led finance isn't. Firstly, in order to be Sharia compliant, Islamic Finance must meet requirements regarding usury and uncertainty. Any investments must be anchored in tangible assets of the real economy. Debt must be limited to the value of those assets with excessive interest rates prohibited. From an SDG perspective Islamic Finance could be particularly useful for financing SDG8: Promote Inclusive and Sustainable Economic Growth[6], as it provides investment with a mitigated risk of spiralling debt that has accompanied previous loans from International Financial Institutions (IFIs). Islamic Finance comes with the added benefit of providing Sharia-compliant financial products that are more palatable to African countries with sizable Muslim populations. Several African countries including Djibouti, Kenya, Morocco, Nigeria, Senegal, South Africa and Uganda have already introduced legal and regulatory frameworks to facilitate Islamic Finance investment.

For Africa to address the funding challenges posed by Agenda 2030 and Agenda 2063, tangible action from African and international stakeholders is required. The High-Level Policy Dialogue on Development Planning in Africa showcased the potential for Africa to diversify sources of development funding and mobilise domestic revenues, and in doing so achieve many of the targets of SDG17 and Goal 20 of Agenda 2063. As such, moving beyond ODA offers opportunities for Africa to take ownership of its own development and better meet the challenges posed in the post-2015 era.

[1] Target 17.2: Developed Countries to Implement Fully their Official Development Assistance Commitments, Including the Commitment by Many Developed Countries to Achieve the Target of 0.7 Per Cent Of ODA/GNI to Developing Countries and 0.15 to 0.20 Per Cent Of ODA/GNI to Least Developed Countries ODA Providers are Encouraged to Consider Setting a Target to Provide at Least 0.20 Per Cent of ODA/GNI to Least Developed Countries

[2] Target 17.15: Respect Each Country's Policy Space and Leadership to Establish and Implement Policies for Poverty Eradication and Sustainable Development

[3] Target 17.1: Strengthen Domestic Resource Mobilisation, Including Through International Support to Developing Countries, to Improve Domestic Capacity for Tax and Other Revenues, Including Through International Support to Developing Countries, to Improve Domestic Capacity for Tax and Other Revenues

[4] Target 17.3: Mobilise Additional Financial Resources for Developing Countries from Multiple Sources

[5] Target 17.9: Enhance International Support for Implementing Effective and Targeted Capacity Building in Developing Countries to Support National Plans

[6] SDG8: Promote Inclusive and Sustainable Economic Growth, Employment and Decent Work for All

* Civil society and non-governmental organisations