

## EIC Position Paper

on the

### Accra Agenda for Action (“AAA”)

*(Final Draft dated 25 July 2008)*

### Political Background

European International Contractors (EIC) has as its members construction industry trade associations from fifteen European countries and represents the interests of the European construction industry in all questions related to its international construction activities. In 2006, European contractors were active in all world regions and generated an international turnover of more than 50 billion € *outside* of Europe, of which 23 billion € originated from construction contracts executed in non-OECD regions. Through their international presence, European contractors are not only **creating employment opportunities for the local workforce**, but they are also contributing to **tax revenues in partner countries** and to the **transfer of management skills and technical expertise to the local construction industry**.

EIC acknowledges the overarching development objective of the international development community to **align** their overall support to **partner countries’ national development strategies, institutions and procedures**, as expressed in the *Rome Declaration on Harmonisation* (February 2003) and the *Paris Declaration on Aid Effectiveness* (March 2005). At the same time, we concur with the observation that, especially in the field of procurement of goods, works and services, *“corruption and lack of transparency impede effective resource mobilisation and allocation and divert resources away from activities that are vital for poverty reduction and sustainable economic development”* (“Paris Declaration, Article 4 lit. v).

Against this background, EIC welcomes that experts of ten Multilateral Development Banks and International Financial Institutions (the so-called “Harmonization Working Group”) have been working together to produce harmonised bidding and proposal documents. Over the past years, agreement has been reached on harmonised master bidding documents for the procurement of goods and civil works and for prequalification of civil works. As these **Master Procurement Documents reflect the corpus of best practice in international procurement procedures**, they must be **the yardstick** for scrutinising the **conformity** of “the nuts and bolts” of **national procurement systems** with the **“generally accepted international procurement policies and procedures”**.

At the forthcoming *Third High-Level Forum on Aid Effectiveness* from 2 - 4 September 2008 in Accra, Ghana, the international development community will take stock of progress in implementing past decisions. EIC hereby submits its comments on the Final Draft, dated 25 July 2008, of the so-called “Accra Agenda for Action” (AAA).

## Detailed Comments on the “AAA”

1. Through their presence overseas, European international contractors are directly affected by the policies and regulations of the international donor community. Therefore, EIC, as the representative of the internationally active European construction industry, considers itself as a true **stakeholder** in the policy goal of **increasing the effectiveness of development aid**. We are co-operating with the international development community in this context as a prospective Member of the International Technical Advisory Group in the framework of the World Bank’s Piloting Programme for the Use of Country Procurement Systems, as a Member of the respective Policy Group of BIAC, the Business and Industry Advisory Council to the OECD, and as an observer member of the Steering Committee of the EU-Africa Partnership for Infrastructure. EIC therefore welcomes that the Final Draft of the “AAA” considers the **private sector** as one of the **”development actors”** which shall be consulted when building more effective and inclusive partnerships for development.
2. EIC is saddened, however, by the fact that, whilst the role of civil society in advancing aid effectiveness is specially acknowledged in the Final Draft of the “AAA” in cipher 20 as well as in a specific Round Table 6 at the High-Level Forum, the **private sector has not been given sufficient advertence during the organisation of the Forum**. Considering the paramount importance of this international gathering, EIC would have thought that the private sector be consulted on a much wider basis by the World Bank and the OECD-DAC as well as by regional and national policy-makers, and that **private sector representatives would have been given more visibility during the Forum**. We note with a sense of strong disappointment that the OECD Working Party on Aid Effectiveness has laboured intensively to set up an Advisory Group on “Civil Society and Aid Effectiveness”, whereas a similar effort with respect to the private sector is wanting.
3. EIC holds the view that the inadequate inclusion of the private sector in the drafting work of the “AAA” to a certain extent **blemishes the legitimacy of the Accra Declaration** and has led to a certain **bias of its content**. In particular, some of the **key concerns of the private sector have not been taken into consideration** by the international development community, e.g. with regard to the use of *partner countries’ procurement systems* and the *untying of aid* as well as the *conditionality* and *predictability* of aid.
4. EIC believes that the commitment of donors in cipher 15 lit. a) **“to consider use of country systems as the first option for aid programmes in support of activities managed by the public sector” is premature at this stage**, at least in the field of procurement, given that the World Bank’s Piloting Programme for the Use of Country Procurement Systems in Bank-Supported Operations is excluding complex projects and has been limited to a small number of pilot countries and for an initial period of two years. As regards the **“mutually agreed diagnostic tools”** referred to in cipher 15 lit. b) to check the quality of country procurement systems, EIC would like to recall that the **“OECD Methodology for Assessment of National Procurement Systems” does not reflect the “generally accepted international practice”**, as incorporated in the Harmonised Master Procurement Documents, since it is too descriptive in character and cluttered with ambiguous terms such as *“adequately”*, *“appropriate”*, *“sufficient”*, *“reasonable”*, etc. It certainly needs much more clarification, e.g. on the universally valid and applicable minimum procurement standards, before it can deliver adequate results in specific cases.

5. EIC agrees, in principle, with the objectives of increasing aid's value for money and of co-operation with new contributors. European contractors are not opposed to **further untying of development aid**, as stated in cipher 18, provided, however, that the Contracting Authorities organise a **fair competition** and provided that the **principle of reciprocity is adhered to by all donors**, i.e. from inside and outside the OECD.

European contractors are also prepared to co-operate with the so-called "new donors", as stated in cipher 19, provided that such a partnership is built on **common values**, e.g. as inscribed in the **OECD environmental, social, ethical and corporate business standards**. Presently, however, EIC perceives some **critical inconsistencies** between the policies of the OECD-DAC and those of the new donors, such as:

- Whilst the OECD is recommending more untied aid, new donors are practicing tied aid;
- Whilst the OECD is promoting budget aid, the new donors are promoting project aid or barter trade (the so-called "*Angola mode*");
- Whilst the OECD is promoting international standards in many aspects, the new donors are satisfied with the application of local standards.

Such inconsistencies must be resolved before the OECD engages unilaterally in another round of untying of aid or before OECD donors enter into any form of triangular co-operation with non-OECD donors.

6. EIC appreciates that, whilst changing the nature of **conditionality** to support ownership, "*donors will work with developing countries to agree on a limited set of conditions that are critical to achieving mutually agreed objectives and outcomes*", stated in cipher 25 lit. a). The position of the private sector is that conditionality should not be seen as a burden, but as an **essential tool to ensure sustainable development** and, in the case of public procurement, as an **incentive to apply fair and balanced tender and contract conditions**, which are in accordance with the respective **international standards** of the World Bank, OECD, EU, FIDIC, etc. EIC is perplex to see that in cipher 25 lit. c) developing countries and donors are invited to "*be receptive to contributions from civil society*" whilst there is – again – no mentioning of the private sector!
7. EIC concurs with the international development community that "*greater predictability in the provision of aid flows is urgently needed to enable development countries to effectively plan and manage their development programmes over the medium-term*". Particularly in the field of infrastructure investment, long-term predictability is crucial for achieving the anticipated Economic Internal Rate of Return, since a typical **infrastructure asset has a project life-cycle of 25 – 50 years and needs to be maintained for a long time**. In the light of past problems with donor-financed infrastructure programmes, EIC would recommend to combine the Design & Build with the O&M phases of an infrastructure project. We thus support the plan stated in cipher 26 lit. d), i.e. that "*developing countries and donor will work at international level to review ways of further improving medium-term predictability of aid*". Having said so, EIC would like to stress that **suitable disbursement procedures** must be developed ensuring that money allocated for medium- and long-term operation are paid out without delay to the private partner.
8. **Looking forward, EIC calls upon the OECD Working Party on Aid Effectiveness to include private sector representatives better than in the past in the preparations for the 4<sup>th</sup> High-Level Forum on Aid Effectiveness in December 2011!**