Distr.: GENERAL

E/ECA/CM.38/5
6 April 2005

UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL

Original: ENGLISH

ECONOMIC COMMISSION FOR AFRICA

Twenty-fourth meeting of the Committee of Experts of the Conference of African Ministers of Finance, Planning and Economic Development

Abuja
11-13 May 2005

ECONOMIC COMMISSION FOR AFRICA

Thirty-eighth session of the Commission/Conference of African Ministers of Finance, Planning and Economic Development

Abuja
14-15 May 2005

ACHIEVING THE MILLENNIUM DEVELOPMENT GOALS (MDGs) IN AFRICA : AN ISSUES PAPER

CONTENTS

Introduction

The urgent need to address poverty around the world and the opportunity provided by the Millennium Development Goals (MDGs) have made them the rallying cry of a global partnership and the cornerstone of international and regional development policy. For the first time in history, a diverse range of players across the globe agree on a common platform of priorities for addressing the many faces of extreme poverty, hunger, joblessness, diseases lack of shelter, to gender inequality and environmental decline. The MDGs are measurable targets attached to a timeframe for making a difference to billions of lives. Governments in developing and developed countries have jointly committed themselves to provide the resources and the policies to implement the Goals.

African leaders have adopted the MDGs as a tool within their wider development planning in order to end the tragic conditions in which so many Africans are deprived of their basic human rights, such as health, education, shelter and security. By making the Goals work as tools for coordinating development policy, within broader development priorities, they can tackle the extreme poverty that is hobbling their people, make their countries more productive and reduce the risk of conflict.

In May 2004, the Conference of African Ministers of Finance, Planning and Economic Development meeting in Kampala, Uganda, during the thirty-seventh session of the Commission, agreed to discuss, at their next meeting in Abuja, their progress towards attaining the MDGs in Africa and the challenges they face. The theme — *Achieving the Millennium Development Goals in Africa* — is pertinent and timely, with just 10 years to go before the target deadline of 2015.

This *Issues Paper* provides the framework for discussion on the challenges of achieving the MDGs in Africa, proposing a paradigm shift in strategy and approach. The North African subregion is already making significant progress towards achieving the MDGs, but progress in the rest of the continent will remain unsatisfactory unless well-funded, broad and robust development frameworks are applied, supported and guided by committed political leadership. The central questions addressed are:

1. Why have African countries, south of the Sahara performed poorly in achieving the MDGs?
2. What - in terms of strategies, resources, and modalities - can they do to address those challenges in the coming decade in order to meet the MDGs?

The *Issues Paper* is divided into four sections:

- <u>Section 1</u> shows the current status of progress towards the MDGs by subregion, goal by goal along with the related challenges and costs, and proposes a way forward.
- <u>Section 2</u> places the MDGs within the framework of African strategies for growth, employment, gender equity and poverty reduction. It makes the case for a major focus on growth and employment creation and outlines key related issues.

- Section 3 recommends a bold and comprehensive 10-year approach for achieving the MDGs through a second generation of poverty reduction strategies, based on enhancing and expanding existing PRS.
- Section 4 reviews the commitments and responsibilities of African governments and their development partners for achieving the poverty reduction and development outcomes set out in the MDGs within the framework of mutual accountability.

It is hoped that by the end of the discussion, the Conference of Ministers will, through the Ministerial Statement set out a consensus agenda of workable actions and policies towards growth and employment creation for achieving the MDGs in Africa within the context of broader African development priorities. .

1. Achieving the MDGs: Where are we?

The world formally adopted the MDGs as a programme of action in 2000, with a target date of achievement by 2015. The baseline for measuring progress was chosen as 1990. Five years have already passed and countries are left with 10 years to reach MDG targets. The size of the challenge depends on how much a country has to do to get on track, and on the domestic and international resources that it can muster. Some middle-income African countries show us that much can be accomplished in 10 years.

1.1 Overall Situation in Africa

Between 1990 and 2002 the world made significant progress towards achieving the MDGs: average incomes went up by 21 per cent; the number of people living in extreme poverty declined by 130 million; life expectancy rose from 63 years to 65 years; and primary school enrolments and access to safe drinking water and sanitation increased. Progress varied across regions, between countries and within countries.

Africa fared worst among the regions. It saw the slowest progress overall and suffered reverses in some crucial areas. In sub-Saharan Africa (SSA), the number of people living in extreme poverty (on $US1 a day or less) rose from 217 million in 1990 to 290 million in 2000, the majority of whom are women and young girls. Adult life expectancy is reckoned to have declined from a little over 50 years to 46 years. Based on the trends of the past 15 years, SSA will not achieve the MDGs.

1.2 The Situation in Subregion

Each of the eight MDGs is made up of one or more of a total 18 measurable targets, and these generate the statistics to measure progress in achieving the MDGs. Africa's progress is aggregated in two subregions, namely North Africa and sub-Saharan Africa (see Annex 1), because there is a strong contrast in each subregion's trends between 1990 and now. North Africa has either met or is on track to achieve most of the MDG targets. On the other hand, the majority of SSA countries are off-track for many MDGs, even though some countries are on track in achieving individual Goals and there are many SSA examples of concrete progress.

South Africa, Botswana and Mauritius have already met some MDG targets and are on course to meet most of the remaining ones. Another 20 SSA countries are on track to meet one or more of the targets.

1.3 Status Report, Goal-by-Goal

Goal 1: Eradicate extreme poverty and hunger

North Africa is on track to halve the proportion of the population living on less than $US1 a day by 2015 (MDG1’s first target) but has not made enough progress to be able to halve by 2015 the proportion of people who suffer from hunger (MDG1’s second target). In SSA only eight countries are likely to meet the extreme poverty target and only five are on track to achieve the hunger target.

Goal 2: Achieve universal primary education

North Africa is on track to achieve MDG2, that boys and girls alike will be able to complete primary school. In SSA the average primary school completion rate crept up to a little above 50 per cent and the net enrolment rate to 62 per cent over the last decade. This is progress but it needs to be accelerated if SSA is to achieve universal primary education by 2015. There are already good African examples of success and about 10 SSA countries are on track, while others can learn from their experiences. Key successes in some countries included implementing the "quick win" of free primary schooling, with national and donor support.

Goal 3: Promote gender equality and empowerment of women

Despite some improvements in addressing gender inequality since the 1995 World Conference on Women in Beijing, much remains to be done in Africa to make gender policy an effective instrument for poverty reduction. MDG3’s first target is to eliminate gender disparity in all levels of education. However, the MDGs also link ending poverty to addressing women’s unequal access to health services and to productive resources. North Africa has already achieved parity between girls and boys in secondary schools and is on track to achieve parity between the sexes at the primary level. Only six SSA countries are on track to achieve gender parity at the primary level, three of these are also on course to achieve parity at the secondary school level.

In most countries, African women remain vastly under-represented in politics, in the legislature, at the highest levels of the corporate sector and other economic institutions. Between 1990 and 2001, some countries made progress in equal access to paid employment in the non-agricultural sector but without renewed effort, neither subregion is likely to reach equal employment between men and women by 2015. Despite an increase in the number of women in parliaments, women are still under-represented in political decision-making structures in both North Africa and south of the Sahara. Statistics from all countries in Africa show that more males than females occupy senior government positions. More needs to be done for women to have their say in governance, democracy and decision-making. Research shows that this is a key way to fight poverty.

Goal 4: Reduce child mortality

North Africa is on track with Goal 4's target to reduce under-five mortality by two-thirds. Only three SSA countries are likely to make sufficient progress unless more is done urgently. Community nutrition programmes, wider immunization and the fight against malaria are all achievable within the MDG partnership.

Goal 5: Improve maternal health

North Africa has made progress but not enough to reach the target of reducing the maternal mortality ratio by three-quarters by 2015. SSA made very little progress - three countries are already on course to reach the target, but others can do more to give attention to women's needs such as access to health information and services including emergency obstetric services.

Goal 6: Combat HIV/AIDS, malaria and other diseases

Goal 6's first target is to halt the spread of HIV/AIDS and begin to reverse it. The second is to halt and reverse the incidence of malaria and other major diseases. Data on HIV/AIDS in North Africa is lacking and for geographical reasons the incidence of malaria and tuberculosis (TB) is lower. In SSA, HIV/AIDS is a major problem. In southern Africa, for example, adult prevalence rates range from 20 to 37 per cent. Data from UNAIDS show that in SSA, women account for 57 per cent of people living with HIV/AIDS, while over 75 per cent of all the young people living with the virus are female. Many countries are yet to make progress in the fight against malaria and TB is resurgent.

Goal 7: Ensure environmental sustainability

Goal 7's first target is to integrate sustainable development principles into country policies and programmes and to reverse loss of environmental resources. Poverty across the region meant continued loss of forests and precious resources. North Africa has already met its second target in towns by halving the proportion of the urban population without sustainable access to safe drinking water but must achieve more for rural populations. SSA is also on track and likely to meet that target in urban areas, but also not in rural areas. North Africa is also on track to achieve the target, of improving the lives of slum dwellers, while in SSA slums have continued to proliferate and the number of slum dwellers increases at a rate that will require substantial resources and mobilization to achieve a significant improvement in their lives.

Goal 8: Develop a global partnership for development

This wide goal encompasses global trading and financial systems, tariff- and quota-free access for Least Developed Countries' exports, debt cancellations, addressing special needs, creating work, providing access to essential drugs and sharing new information, communications and other technologies, among others. Developed country subsidies, tariffs and quotas still restrict market access for African products and this is compounded by slow progress of regional integration within Africa and inadequate Overseas Development Assistance (ODA). Although ODA levels to Africa have started to increase since 2001, recovering from a low of $US15.3 billion in 2000 to a new high of $US26.3 billion in 2003,[1] they have fallen short of requirements and aid quality has not improved much. The recovery in ODA flows was largely driven by debt relief, provided through the Highly Indebted Poor Country (HIPC) initiative, and emergency assistance. Debt relief schemes have left out middle-income countries that labour under heavy debt burdens. Countries benefiting from the HIPC initiative still find themselves burdened with unsustainable debts. In both North Africa and south of the Sahara, partnerships to reduce very high youth unemployment are yet to take off. Despite some progress, patent laws still block access to essential drugs needed to fight malaria, HIV/AIDS, TB and other diseases. The information and communications technology divide between Africa and the rest of the world remains as wide as ever.

1.4 Why Africa is Lagging Behind

Rapid and sustained growth impacting the whole economy is the key to lifting people out of poverty but it continues to elude most African countries. Economic growth has been robust in countries with enclave resources such as oil and minerals but, with one or two exceptions, the fruits of such growth have not been widely shared with the poor.

A range of factors constrains growth. Governance, the capacity and quality of government, is at the heart of poverty reduction. Although, governance is improving in Africa, much remains to be done especially with regard to accountability, the rule of law, corruption, creating a business environment friendly to domestic and foreign investors, social or ethnic exclusion, and investment priorities. Many states have only weak capacity to carry out their basic functions and have made insufficient investments in education, health, water and sanitation, which are the main ingredients for human capital formation.

The challenge of HIV/AIDS looms large over Africa's lacklustre performance in attaining the MDGs, illustrating that all Goals are linked and must be achieved as a package. The pandemic has aggravated weak economic growth in many countries and is depleting human capital, the very foundation of social development. Gender inequality remains a big challenge despite the fact that, for example, educating women is important for achieving all goals. Notably, a large number of countries have not adopted a human rights approach to development that pays special attention to equality and non-discrimination. Wars and violent conflict disrupt livelihoods, destroy infrastructure, reverse gains and damage the investment climate.

1.5 Getting Back on Track

There is still a chance for African countries to achieve the MDGs. As *Investing in Development*, the report of the UN Millennium Project, has made clear, the interlinked world community has at its disposal the proven technologies, the policy consensus and the financial resources to achieve the goals and change billions of lives for the better. However, countries, can only meet the Goals through a massive scaling up of public investments, capacity-building, domestic resource mobilization and ODA, beginning this year.

---

[1] ECA (2005) *Economic Report on Africa 2005*

African countries can use the MDGs as a tool to fight poverty and achieve growth, drawing up and implementing focused national poverty reduction strategies, making meeting the MDGs part of their priorities. The strategies will be based on an assessment of the investment requirements and capacities needed to reach the Goals by 2015 if the effort steps up from this year with effective plans, spelling out detailed national investment budgets for the coming three to five years and the capacity and governance improvements to deliver these achievements.

The Millennium Project report recommends that a second generation of Poverty Reduction Strategies should be focused on the MDGs and address critical areas such as rural and urban productivity, health, education, gender equality, water and sanitation, environmental sustainability, science and technology; and innovation.

In this framework of effective planning and implementation, the Millennium Project also highlights a group of "quick win" actions that developing and developed countries should jointly launch this year to improve millions of lives and boost economic growth. Many are within the reach of individual African governments, seizing this opportunity for effective partnership with the international community. These include:

- Free mass distribution of bed nets and anti-malaria medicine for all children in regions of malaria by end of 2007;
- Ending user fees for primary schools and essential health services, compensated by increased donor funding as necessary by end of 2006;
- Successful completion of the "3 by 5" campaign to bring 3 million AIDS patients in developing countries onto antiretroviral treatment by end of 2005;
- Expansion of school meals programmes to cover all children in hunger spots by using locally-produced foods, not later than end of 2006; and
- Massive replenishment of soil nutrients for smallholder farmers on lands with nutrient deficient soils, through distribution of free fertilizers and agroforestry by end of 2006.

This list of quick wins would be no more than a start. A paradigm shift in approach is needed to achieve a true reversal of present poverty trends and get on course to achieve the MDG targets.

2. Growth, Employment and Poverty Reduction: A Framework for Achieving the MDGs

From Section 1, it is clear that Africa, especially south of the Sahara, can only achieve the MDGs through urgently adopting a radical approach and through bold and decisive action. Strategies for reaching the MDGs are not a substitute for government policies towards broader social and economic development but they harness a global partnership and will deliver solid gains towards sustainable growth “as part of an even larger development agenda.”[2]

[2] Report of the Secretary-General (2005) "In larger freedom: towards development, security and human rights for all, Fifty-ninth Session of the United Nations General Assembly.

Each African country should place the MDGs within a larger development agenda focusing on growth, employment and poverty reduction within individual national agendas. High sustainable growth, major employment creation and poverty reduction will significantly help to reach the Goals.

Many African countries since 2000, have already tried reducing poverty and achieving the MDGs through Poverty Reduction Strategies (PRS). Middle- and low-income countries have adopted these strategies and they have been a requirement for 21 low-income countries wishing to obtain debt relief under the enhanced HIPC initiative. The question is, to what extent have these strategies succeeded in bringing progress in low-income Africa?

Economic growth rates in Africa have increased since the mid-1990s, reaching an average for the continent of 4.6 per cent in 2004. This reflected better terms of trade (especially for mineral exporters), a turn-round in aid levels (which fell until 2000, and then started rising), debt reduction and the impact of earlier macroeconomic and structural reforms. Among low-income countries, only Uganda and Mozambique have recorded consistent declines in poverty levels. These were also, significantly, the only countries that achieved growth close to 7 per cent for several years, although in Uganda growth has dipped and poverty has risen again slightly since 2003. However, most countries have not yet moved to the consistently higher growth needed to achieve the MDGs.

In most cases, it is too early to attribute results to the PRS. Nonetheless, several evaluations of the first generation of PRS have been carried out[3] showing a high degree of consensus:

1. While the PRS have improved the focus on poverty, they did not address growth and employment issues sufficiently. Their main success was increasing the resources available to education and health, and on improving public financial and expenditure management. Worthwhile achievements were recorded in many of these areas, which need to be sustained and enhanced.
2. PRS have started to show results where there has been strong political leadership and national ownership, (as opposed to being donor-driven), enhanced by accountability mechanisms.
3. Capacity issues were not generally addressed effectively, yet they remain critical especially for low-income countries – and are likely to become even more constraining as countries scale up to achieve the MDGs.
4. Financial resource constraints have remained critical, despite higher aid and debt relief. Mainly for this reason, few PRS built the MDGs explicitly into their planning. In addition to inadequate quantities of aid, quality of aid – in terms of alignment with PRS programmes, harmonization around national processes, predictability and the burden on national governments has only started to improve.

[3] ECA's African Learning Group on the PRS has been meeting and analysing the impact of the first generation of PRS since 2001, with a view to promoting African ownership. IMF Independent Evaluation Office: Evaluation of Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility, 2004; World Bank Operations Evaluation Department: The Poverty Reduction Strategy Initiative, An Independent Evaluation of the World Bank's Support Through 2003; David Booth (ed): Fighting Poverty in Africa: Are PRSPs making a difference, ODI 2003, among others.

Thus, a detailed assessment of African experiences in fighting poverty must lead us to stress the importance of growth and employment in poverty reduction and overall development. High levels of sustainable growth are produced where there is unwavering commitment to improve the drivers of growth, a policy environment of country-specific growth strategies that are pro-poor and when employment is mainstreamed. The most effective and sustainable key to reducing poverty is by maintaining consistently high rates of growth of 7 to 10 per cent each year for the next 10 years, a level only one or two African countries have achieved. It requires rapid and fundamental changes. But high growth rates are not the sole requirement; such growth must occur in such a way as to create the jobs that will lift people out of poverty and reduce inequality.

2.1 The Growth-Employment-Poverty Reduction Linkage

Evidence shows that growth reduces poverty in two ways. First, it provides the resources and capacity for the social spending to attack poverty directly. Second, if it occurs in areas and sectors where the poor are concentrated, it generates jobs that will lift people out of poverty.

There is a relationship between employment and poverty on the one hand, and between growth and employment on the other. Significant increase in the African labour force due to rapid population growth, inadequate access to employment opportunities, especially by women and youth and low productivity are major causes of poverty. Africa's poor includes those who have jobs (the working poor) but are underemployed, have low productivity or receive low wages or incomes, as well as those who are not employed. To reduce poverty, the incomes of the working poor must rise above the poverty line and the unemployed poor need work which produces incomes sufficiently high to get them out of poverty, whether in the rural areas, the informal sector or urban slums.

Associated with growth is an increase in productive capacity which, if it is labour-intensive, leads to an increase in employment. If high-quality growth occurs in labour-intensive sectors including agriculture, manufacturing, construction, textiles and services, the associated increase in employment will have a positive effect on the working poor and their dependents, and on the unemployed poor who can now be employed or self-employed.

How growth affects poverty depends on how much growth increases opportunities for employment and the extent to which the poor can join economic processes and take advantage of the improved employment potential. Levels of education, skills and access to capital and productive assets are important variables, as are social spending on health, education and training that will enable the poor to take advantage of more rewarding employment opportunities generated by growth.

How growth is distributed among sectors and regions is also critical in determining which groups benefit from expanded employment and income-earning opportunities. Reforming the informal sector and emphasizing growth in agriculture, remote poor regions and urban slums could improve the extent to which the poor benefit.

High growth must be sustained and pro-poor and gender sensitive, and income must be better distributed if growth is to lead to significant poverty reduction. To achieve high rates of growth, we need to understand better how growth occurs and the success factors in the countries that in the last two decades, have recorded significant growth levels and poverty reduction.

2.2 The Critical Drivers and Enablers of Sustainable Growth

An economy can grow if it can increase the quantity and quality of natural and human resources, increase the supply or stock of capital goods and use improved technology to increase productivity. However, adequate supply of productive factors is not a sufficient condition for sustainable growth. Certain growth engines and drivers must be in place for growth to occur at high and sustained levels.

The two most important elements are human capital and technology. Investment in human capital through high levels of education, especially for women, stimulates growth including through spillover effects. African governments, through optimal education policies, can raise the levels of education and increase human capital, creating a virtuous cycle that enables the economy to increase its capacity to produce new ideas.

"Brain drain", a major cause of human capital loss, can be mitigated through better governance and economic policies, which will improve opportunities, and improve working conditions for highly educated Africans. Technological progress, generated by new knowledge plays critical role of giving economies the ability to grow consistently over time. It includes innovative production techniques, new managerial methods and new business organizations that improve the process of production.

Economic analysis shows that sustainable growth does not only depend on the availability and efficient use of productive resources and growth drivers. Countries that have grown at significantly high levels have painstakingly provided an enabling environment marked by peace and security, quality institutions, infrastructure and support for the private sector. Institutions are particularly important in providing good governance and macroeconomic stability.

This reinforces the need to emphasize ‘the Capable State’—the well-governed state capable of delivering services effectively, managing funds transparently and respecting the rule of law so that businesses may thrive and deliver growth, jobs and income. The enabling environment for growth also requires improving other aspects of institutional quality including reducing corruption, ensuring political rights, improving the efficiency of the public sector, removing regulatory burdens, providing legal protection of private property and enforcing laws in an equitable manner.

Research shows that investment in public infrastructure also increases productivity, which boosts economic growth, while poor infrastructure hobbles private sector development, restrains export diversification and blocks growth. Inadequate road and railroad networks increase transactions costs.

For poor people to participate in growth and share its fruits, it is important for governments to recognize and support the entrepreneurial spirit of their nationals, especially those working in agriculture and in small- and medium-size enterprises (SMEs), the bulk of domestic private sector activity on the continent. African governments have significant role to play in readdressing constraints such as the inadequacy of irrigation or transport for farmers and serious difficulties that farmers and SMEs face in accessing finance, as well as shortage of information and of critical skills. In almost all African countries, growth and investment opportunities are retarded because the majority of businesses find it very difficult to get financing and in particular, risk capital.

2.3 Country-Specific Growth Strategies

Countries that have been most successful in meeting the MDGs and reducing poverty in the past two decades (examples include China, India, Botswana and Vietnam) have all enjoyed very rapid economic growth, as did the countries that reduced poverty rapidly before the MDGs were mooted (such as Korea, Taiwan, Thailand, Malaysia and Indonesia). These countries pursued country-specific strategies, confirming that there are no generic formulas. However, certain common elements can be traced, such as:

- Context-specific planning;
- Macroeconomic stability;
- Striking the balance between government interventions and market autonomy;
- Adaptation and application of technology to production processes;
- Investment-friendly conditions (particularly by reducing risks and ensuring access to credit on reasonable terms); and
- A minimum level of effective governance and capacity-building.

Attaining MDGs in Africa will require similarly country-specific strategies as the sources of growth will vary widely and the appropriate strategy will depend on such factors as the relative importance of mineral extraction, agriculture and services (such as tourism); the opportunities for trade provided by the global and regional economies, and a successful effort to stimulate private domestic and foreign investment. The country-specific strategy should be based on a long-term vision and on achieving the Goals in the context of growth strategies linked to the sources of growth and measures to improve the investment climate and infrastructure, coupled with intra- and inter-sectoral diversification to reduce vulnerability to external shocks[4].

For example, a manufacturing-based approach requires competing in global markets and developing essential services including banking, health, education, transport and information and communication technologies (ICTs). For mineral-rich countries, transparency and good governance in the mineral sector, accompanied by redistributive fiscal policies and encouragement of backward linkages, would be important, if earnings are not to become drivers of corruption and conflict rather than growth and development. And for agricultural economies, the emphasis would be on higher productivity and better market access.

[4] *Our Common Interest* (2005) .Report of the Commission for Africa.

For the middle-income countries, which face fewer financial constraints, have relatively well-developed industrial sectors and diversified trade, and are already largely on track to meet the MDGs, the appropriate strategy may be to emphasize redistribution and targeted programmes. These countries must also accelerate their economic growth, but their poverty strategies are less dependent on that acceleration. In South Africa, for example, considerable success has already been achieved in extending safe water supply to rural and poor urban households. Egypt's social investment fund has successfully targeted basic infrastructure and services in the poorer regions.

In all countries, the emphasis on scaled-up service delivery and better quality in education, health, water and sanitation, as well as on safety nets for vulnerable groups, needs to continue. This in turn implies a continued emphasis on good governance in the management of public finances and public expenditure, since these services are predominantly in the public sector. Better infrastructure in under-served areas will be critical also. Experience also suggests that decentralization to subnational governments and to the community level is also important.

Should a country concentrate on maximizing growth rates and redistribute later through poverty programmes, or should growth be fostered in sectors where it impacts strongly on poverty? In countries caught in a low growth trap, there is a case for focusing narrowly on getting growth going whilst distributional concerns will be addressed by the services to be provided to the poor in meeting the MDGs (for example, in education, health, water and infrastructure).

The Special Role of Agriculture. Agriculture has direct and indirect effects on employment and food security and provides the surest foundation for sustainable growth, through linkages with the industrial and service sectors. Because the agricultural sector is the largest employer in many African countries, it makes sense to modernize it to improve incomes and employment opportunities. When farm incomes increase, as shown by the Asian success stories, demand for both agricultural and non-agricultural goods rises and this leads to increase in aggregate demand, output, and employment.

Although, growth in rural agricultural and tertiary sectors has a major effect on poverty, in the long run the agricultural strategy may increase poverty if a country does not diversify. In Asia, agricultural modernization and productivity gains fuelled growth in the manufacturing sector. *Our Common Interest*, the Report of the Commission for Africa, identifies as obstacles to agricultural development: agroecological problems, low investment in rural infrastructure, transport, international trade regime, problems of crop and livestock pests, weeds, diseases, and inequitable land distribution and insecurity of tenure, which discourage investment. Measures that can increase output include developing and diffusing high-yielding varieties, better production techniques and practices, diversification, irrigation, post-harvest infrastructure, research, innovation, extension and market development.

Trade and Regional Integration. Trade is vital to realizing Africa's growth potential, reducing poverty and achieving the MDGs. Yet trade liberalization has neither improved Africa's position in world trade nor overall growth mostly because in many African countries, trade liberalization has been limited to the import sector with only minimal measures to reduce supply constraints in support of exports. Similarly, the informal sector in which women are strongly represented, is often ignored in trade policies. The thirty-seventh Conference of Ministers in Kampala on "Mainstreaming Trade in National Development Strategies" resolved that trade policy should be integrated into national and regional development strategies. In addition to export promotion and growth policies, internal conditions must improve through trade facilitation and diversification to capitalize upon comparative advantage.

Another key issue is how African countries can rationalize the composition and functions of the regional economic communities (RECs) to ensure that they improve trade and maximize progress toward the MDGs. Collaborative efforts are underway between the African Union (AU) and the ECA to provide a framework for such rationalization. Optimal regional approaches can build regional public goods through partnerships and reinforce good practices within and across countries so that synergies between national, regional, and global efforts to attain the Goals are established. The issue of access for African countries' products into other markets must also be addressed (as outlined in MDG8 targets). Preferential access to developed country markets for Africa's products should be enhanced, at least in the short run, and barriers should be removed.

2.4 Mainstreaming Employment to Reduce Poverty and Achieve the MDGs

Creating new jobs depends primarily on accelerating economic growth but also on employment-friendly macroeconomic policies, mainstreaming employment in national development strategies through systematic promotion of mutually reinforcing policies and creating synergies in support of employment goals. An integrated approach to employment strategies in Africa should deal with the challenges of unfavourable labour markets, including insufficient demand and insufficient supply of skilled labour and put equal focus on four priority areas: entrepreneurship, employment, equal opportunity and employment creation.

The International Labour Organization (ILO) and the AU Summit on Employment and Poverty Alleviation in 2004 in Burkina Faso highlighted this and all countries signed an AU Action Plan. To implement it, African governments—education, labour and finance ministries in particular—need to analyse labour markets and use the information to guide policy decisions, working in close partnership with all stakeholders, including trade unions and the private sector. Public, private and international resource spending must focus on providing the infrastructure needed to support the growth of labour-intensive enterprises in agriculture, industry (particularly agroindustry) and commerce in addition to the investments in human capital mentioned earlier. Strategies for decent and productive work for youth in Africa (one of the MDG8 targets) need urgent attention and employment generation issues should be explicitly addressed in national poverty reduction strategies using the MDGs.

2.5 Issues for Discussion

- Human capital is one of the most important drivers of high and sustainable growth. What are the first priorities for African countries to tackle the issue of human capital formation, including the "brain drain", and how can they harness the contribution of African Diaspora to enhance development and achieve the MDGs?

- How can African countries and their partners harness technology, including information and communications technology (ICT) to increase equitable growth and reduce poverty?
- What concrete steps should be taken to deal with the weak infrastructure at both the national and regional levels? How do African countries generate the $20 billion or so a year investment in infrastructure needed to address the regional, national, urban, and rural infrastructure priorities that will support sustainable growth, major employment creation, and poverty reduction?
- What priority steps should be taken in creating an enabling environment for SMEs and small farmers?
- What is the role of the RECs in achieving the MDGs? Can a regional approach build regional public goods, partnerships, reinforce good practices within and across countries, and establish synergies between national, regional and global efforts to attain the Goals?
- Youth unemployment is a major challenge facing Africa, given its social, economic, and political costs. What strategies will be best for tackling youth unemployment and what contribution can public-private partnerships make?

3. Second Generation Poverty Reduction Strategies

Section 2 sets out the case for prioritising pro-poor growth and considers evaluations of the first generation of PRS, including their inadequate attention to growth as an objective. As African leaders strategize for the next 10 years, they can learn from this experience in order to identify more effective policies and actions.

3.1 Broadening the Poverty Reduction Strategy Planning Framework, including Growth and Employment

ECA's African Learning Group on the PRS has paid close attention to understanding how best to build a second generation of PRS (SGPRS), seeking to integrate the lessons of the first five years with appropriate strategies for speeding up growth and employment while reducing poverty and measuring progress against the targets of the MDGs as outlined in Sections 1 and 2. Three countries (Burkina Faso, Tanzania and Uganda) have already developed and are implementing second-generation strategies and their experience can also be drawn upon.

Growth and poverty: SGPRS and other strategies need to become both more comprehensive and more country-specific, while maintaining a consistent focus on poverty reduction in the context of growth and employment creation. Tanzania, for example, has recognized this in its SGPRS by including growth in the title and, more substantively, by incorporating growth into their development plans. For low-income countries, faster growth is the priority. Factors to consider in drawing up country-specific strategies to achieve growth, employment and poverty reduction by 2015 have been outlined in Section 2. For middle-income African countries, growth is needed, but there can be a more targeted approach to making growth and employment creation pro-poor and using both to achieve the MDGs.

Time Frame*:* First generation PRS typically covered a three-year period. This partly reflected the time frame for reaching HIPC completion, and partly the need to match the rolling three-year cycle of a typical budgetary Medium-Term Expenditure Framework (MTEF). While the MTEF is an improvement on annual plans and budgets, there are also many programmes – notably in infrastructure and social services – which require a longer time frame. In addition, the SGPRS should be positioned as stages in achieving the 2015 targets if they are to make a concrete contribution to achieving the MDGs.

Resources: The new strategies to meeting the MDGs and other objectives will inevitably require significantly scaled-up financial resources. While some improvement in domestic resource mobilization can be expected, and should be planned for, most studies[5] suggest that, for low-income Africa as a whole, the ratio of fiscal revenue to GDP, which is currently about 16 per cent, is already quite high, though there is considerable intercountry variation. They will not be able to achieve enough growth and progress with their own resources. Estimates on all sides point to a need for a steep increase in development assistance to Africa; both the Commission for Africa and the UN Millennium reports suggest that aid to sub-Saharan Africa be doubled and sustained at higher levels for many years to come. This raises both policy and management issues, including capacity issues. With most countries already very dependent on aid, governments may need to develop explicit exit strategies, to ensure there is no increase in dependency. In addition, there must be careful management, at both macro and sectoral levels of the absorptive capacity constraints and possible effects on export competitiveness arising from large inflows.

3.2 Governance Capacity for Broad Development Strategies

Capacity has been and remains a major constraint on the achievement of the MDGs and poverty reduction. Past efforts to address capacity have lacked appreciation of the institutional context at national level and of the availability of skills both within countries and in the Diaspora as well as the reforms – especially of incentive systems – needed to mobilize them. Instead, the focus tended to be on supply-side measures, mainly training and technical assistance.

First generation PRS tended to reflect ongoing efforts, often not very successful, to reform the public sector. At the same time, PRS set up new demands for decentralization and community-driven development, which required more and better-trained staff as well as more complex systems. In addition, scaling-up in the social sectors to meet the MDGs requires substantial capacity increases at a time when HIV/AIDS is taking a significant toll on teachers and health workers, and when international market conditions for such skills are exerting upward pressure on salaries and service conditions.

SGPRS therefore need to pay explicit attention to capacity issues. Specifically, a 10-year time frame or longer is needed to develop the pipeline of skilled and trained staff and address the conditions for their retention. Priorities need to be set, given scarce resources, and adhered to over a long period – with some sectors deliberately put “on the back burner” for a while. Institutional capacity to manage these issues, as well to educate and train, will need to be

[5] See for example Our Common Interest (2005) Report of the Commission for Africa

developed, suggesting a renewed emphasis on higher education. The use of technical assistance needs to be derived from this context, rather than on a supply-driven basis by donors.

A special category of capacity issues includes those concerned with public finance and expenditure management. As noted, these did receive attention in first generation strategies, with generally good results. Issues that require attention in second generation strategies include the use of “poverty funds” to ring-fence expenditure allocations to poverty programmes; the improvement in the speed and accuracy of public expenditure data for tracking expenditures; the use of annual public expenditure reviews; the costing of poverty programmes; and the strengthening of public account and audit functions.

Better monitoring and evaluation of poverty results are crucial for both accountability and learning. Data collection processes need to be more demand-driven, and analytical capacity at country level needs to be strengthened. The development of better indicators for monitoring and their inclusion in national systems is essential to a results-based approach and an important component of learning-by-doing using innovative approaches.

3.3 The Need for Broader and Deeper Ownership and Stakeholder Consultation

Political commitment and leadership are essential to both growth and poverty reduction and better governance improves the prospects of both pro-growth and pro-poor policies being effectively implemented. On balance, the African experience so far suggests that, while there are many factors at work, the more democratic the regime, the more responsive the government to the interests of poor people. But the PRS process to date has been viewed in largely technocratic terms, with comparatively little involvement of the political system.

A fairly typical pattern in first generation poverty reduction strategies as generally encouraged by international financial institutions, was that participation was broadened to involve selected civil society groups. In many cases, this broadened the consensus around pro-poor policies; encouraged the emergence of umbrella organizations or alliances of poverty-focused NGOs; challenged existing policies and perceptions of the poor; and brought grass-roots experience and insights to bear on the strategic process. On the other hand, the accountability of many of the groups brought into the process was often questionable; and their involvement in monitoring poverty outcomes was typically much less than in the preparation of strategies.

In addition, parliaments were typically left out of the PRS process. In some cases, even cabinets were not involved, which gave rise to implementation problems when sectoral ministries were called upon to implement strategies they had not been involved in formulating. Special issues arise in the case of subnational governments with varying degrees of autonomy and commitment to poverty reduction. In general, PRS became a parallel, often donor-driven process, relatively strong in its technical aspects but weak in ensuring that the political system at all levels confronted the difficult decisions and trade-offs.

Strategies to achieve growth and the MDGs must be formulated to address these issues. Most important is an effort to merge parallel processes and build the SGPRS process into national processes, especially national plans and MTEFs, as some countries are already experiencing. This requires building capacity in parliaments and in the broader political system as well as among civil society groups to understand the nature of the choices to be made.

3.4 Regional Dimensions

The African Union and NEPAD were created after the first PRS were introduced and are very relevant to the process. Regional economic issues and potential synergies are critical. In addition, these bodies are making efforts to set continent-wide standards, such as the APRM, which will enhance and impact the effectiveness of poverty reduction strategies. Regional integration deserves greater attention in the attempts to achieve the MDGs in Africa, in light of increasing globalization. NEPAD initiatives need to be integrated in the second generation of the PRS.

3.5 Issues for Discussion

- What lessons can be shared and learned from specific countries' experience with first generation PRS?
- What can be done to strengthen political commitment to growth and poverty strategies? Is it correct to assume that greater political engagement will require more involvement of Cabinet, parliament, political parties and other stakeholders in the monitoring and evaluation, as well as the preparation of national strategies?
- How should capacity issues be addressed in SGPRS? In addition to considering the capacity issues involved in better service delivery, including retention issues, should priority continue to be given to public finance and management issues, and to poverty monitoring and analysis?
- How do we best integrate regional economic communities in national PRS? What role should the AU and NEPAD play in the PRS?
- What are the priority actions for middle-income countries? Should they focus on targeted programmes as the main instruments for meeting the MDGs?

4. The Commitments and Responsibilities of African Countries and Development Partners

This *Issues Paper* has outlined the serious commitment required of African governments to improve governance, to reform institutions in order to generate rapid growth, to create jobs and to reduce poverty within the framework of comprehensive poverty reduction strategies and the MDGs. The development partners have responsibilities as well, in fact MDG8 specifically calls for a global partnership for development. In the words of UN Secretary-General Kofi Annan, rich countries must undertake to provide full support, "in the form of increased development assistance, a more development-oriented trade system and wider and deeper debt relief"[6] to developing countries.

Leadership and commitment at the highest level are critical to effective, country-led growth and development strategies that will reduce poverty and achieve the MDGs in the

[6] Report of the Secretary-General (2005) – In larger freedom: towards development, security and human rights for all, Fifty-ninth Session of the United Nations General Assembly.Report of the Secretary General (2005) "In larger freedom: towards development, security and human rights for all, Fifty-ninth Session of the United Nations General Assembly.

continent. Both African governments and developed countries bring a critical input to the development partnership, without which progress will not be made. It is therefore important to establish mechanisms that can give all sides confidence in the relationship. To this end, the NEPAD–commissioned Mutual Review of Development Effectiveness involving a constructive and interactive monitoring mechanism could become a significant tool for the effectiveness of aid.

4.1 Mutual Review Process in Africa

With widespread agreement that resource requirements for higher growth and MDG achievement exceed what most African countries can generate alone, it is clear that partner assistance will play an increased role in African strategies for reducing poverty and promoting growth.

Yet there is on both sides of the development partnership a perceived need for a new way of doing business that can improve the quality and the use of ODA.

African policy makers and researchers are asserting greater ownership and leadership of the development agenda in the context of the AU, through NEPAD and in discussions on how to improve PRS as they create the second generation of plans while drawing on the lessons of the first. With that intensified engagement has come a strong demand for better quality of assistance from partners, as well as efforts to strengthen management of resources on the African side.

Internationally, there has been growing recognition of the need for closer attention to the way aid is delivered and managed. The Consensus at the 2002 International Conference on Financing for Development in Monterrey, Mexico, called for harmonization of partners' approaches in order to lower the transaction costs of ODA and for more partner awareness of national development needs and objectives. That call gained greater weight in 2003 with the Rome Declaration on Harmonization and Alignment and in other contexts, culminating most recently in a Paris Declaration on Aid Effectiveness adopted in March 2005, a roadmap for the global monitoring of mutual commitments towards aid effectiveness. The Declaration states: **"…**we resolve to take far-reaching and monitorable actions to reform the ways we deliver and manage aid as we look ahead to the UN five-year review of the Millennium Declaration and the Millennium Development Goals (MDGs) later this year."

At the African level, the NEPAD Heads of State and Government have spearheaded moves towards a framework for the monitoring of mutual commitments by Africa and its partners. At their request, a team at ECA has worked with developed country (OECD-DAC) partners to develop a concept and machinery to achieve greater aid effectiveness. The result is a regional mechanism to track development partnerships and their effectiveness.

The draft report " *Mutual Review of Development Effectiveness in the context of NEPAD"*, tabled for discussion at the NEPAD/OECD African Partnership Forum (April 2005) and during this Conference of Ministers of Finance, Planning and Economic Development is the culmination of this work.[7] *The Mutual Review* takes as its starting point the commitments adopted by Africa in the NEPAD partnership context and the work that OECD partners are doing to support NEPAD. The report discusses the required actions on each side of the partnership to advance these commitments and suggests benchmarks against which these commitments should be assessed over the coming two years.

On African side, the capacity-building and accountability framework comes from commitments previously articulated in NEPAD documents and as core indicators under the African Peer Review Mechanism (APRM). The *Mutual Review* focuses on the significant importance of sustained and broad-based growth to achieve the MDGs, the need for more explicit policies to address the distributional impact of growth and the structural constraints to wealth creation and poverty reduction, as well as on the critical roles of agriculture and infrastructure investment.

Africa's leadership also undertakes to put in place the processes and institutions for better economic governance, particularly regarding strengthened human capacity, and an enabling environment for the private sector. On other fronts, the framework anticipates that national agendas will stress progress towards peace and security and improved political governance including auditing, evaluation, and parliamentary and judicial functions in national institutions.

On the side of OECD, the *Mutual Review* focuses on the need for significantly increased aid flows. Channelling these flows through more predictable, long-term and harmonized arrangements aligned with national priorities is considered crucial. It requires that ODA should be harmonized with national finance scenarios over 10 years, with financial commitments made up to four years ahead so that governments can plan effectively.

Other commitments would require partners to support pro-poor growth strategies targeted at achieving the MDGs, and to ensure that trade and debt polices do not contradict with broader commitments on ODA: policy coherence in donor policies on aid, debt relief, trade including market access, tariffs and subsidies is of particular importance to Africa's potentials to meet the MDGs. On other fronts, there is need for commitment to support capacity-building, transparency and anti-corruption initiatives including strong commitment of both public and private sector actors. Additionally, partner action is sought to restrict arms transfers and address climate change.

On each side of the partnership, "action frontiers" are identified – specific actions to be taken in order to fulfil the commitment. An updated report will appear every two years to record progress towards agreed targets. Alongside the report, benchmarks will be published, looking ahead to the next review period. Commitments and targets are set at the regional level in the case of AU, NEPAD and other programmes, while concrete expressions of the mutual accountability principles are best demonstrated at the country level. However, country-level experience in this area is limited, as is knowledge of progress in aligning donor support to national priorities and providing this support in a more harmonized manner. Practical measures are needed to track the

[7] An Overview of the Mutual Review of Development Effectiveness report has been circulated in advance with Conference documents. The full draft report will be distributed at the start of the Conference in Abuja.

extent to which mutual accountability is applied in practice, as partners start to apply the principles set out in the *Mutual Review*.

The *Mutual Review* process, with its reciprocal obligations undertaken over the long-term, is intended to become a valued tool for improving the effectiveness of aid, both to strengthen the case for much increased flows and to give added confidence to the development relationship.

4.2 Issues for Discussion

- Are the areas proposed for monitoring appropriate and sufficient or should they be augmented?
- Are the chosen benchmarks sufficient and robust enough to track the sought-after progress?
- Does appropriate capacity exist to measure progress and what additional mechanisms might be needed at country level in order for compliance to be assessed?
- How should the APRM process feed into the *Mutual Review?*
- The proposed assessment cycle requires assessments to be accomplished over a two-year cycle. It might be considered that this period is too long to allow useful corrective action to be applied. Should the frequency of review be augmented to take place at specific intervals and if so, how far apart should they be?
- Some countries already have in place well functioning country-level frameworks for mutual accountability. Ministers may wish to share effective practices in this area with a view to identifying the necessary conditions for Mutual Review to be effective.

Conclusion

African leaders are at an historic moment. They have agreed that the Millennium Development Goals are a tool through which they can advance and even fast-track their national development agendas. For the first time, the international community has explicitly come together around the same targets.

This paper has sought to outline critical action open to policy makers to achieve the MDGs:

- Embracing the need for faster, broadly shared, jobs-promoting growth in order to meet the MDGs;
- Designing the next generation of poverty reduction strategies to prioritize growth and employment, address governance and capacity and involve stakeholders more deeply;
- Using mutual accountability to mobilize resources and build confidence into development partnerships.

Actions on these three fronts are interdependent. In order to fully understand how to deliver appropriate growth, the experience of Poverty Reduction Strategies during the past five years must be reviewed and understood. In order to reduce poverty as prescribed in the MDGs, the PRS must be realigned to make higher growth rates an explicit goal, alongside governance reform and a major upscaling of investment in key areas such as infrastructure and human resources and capacity. If macroeconomic imbalances are not to result from that endeavour, external support is required. If that support is to be sustainable and long-term, the Mutual Review Process is likely to become a vital component.

Both sides have agreed on the modalities of the partnership for accelerated action to achieve the MDGs in 10 years, by 2015, acknowledging the need for effective aid, a fairer global partnership, and vastly increased flows of ODA to Africa.

By seizing the moment this year, by working alongside each other in building national policies and plans which adopt the MDGs and the tools of second generation poverty reduction strategies, including growth and employment creation, and by seeking regional synergies, African governments can make good the deficits of the past by bringing a measurable and sustainable difference in growth and in the lives and welfare of their peoples.

Annex 1. The Millennium Development Goals (MDGs) and targets

Goals*Millennium Development Goal*

Goals	**Targets**
Goal 1 Eradicate extreme poverty and hunger	***Target 1*** Halve, between 1990 and 2015, the proportion of people whose income is less than $1 a day
	Target 2 Halve, between 1990 and 2015, the proportion of people who suffer from hunger
Goal 2 Achieve universal primary education	***Target 3*** Ensure that by 2015 children everywhere, boys and girls alike, will be able to complete a full course of primary schooling
Goal 3 Promote gender equality and empower women	***Target 4*** Eliminate gender disparity in primary and secondary education, preferably by 2005 and in all levels of education not later than 2015
Goal 4 Reduce child mortality	***Target 5*** Reduce by two-thirds between 1990 and 2015, the under-five mortality rate
Goal 5 Improve maternal health	***Target 6*** Reduce by three-quarters between 1990 and 2015, the maternal mortality ratio
Goal 6 Combat HIV/AIDS, malaria, and other diseases	***Target 7*** Have halted by 2015 and begun to reverse the spread of HIV/AIDS
	Target 8 Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases
Goal 7 Ensure environmental sustainability	***Target 9*** Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources
	Target 10 Halve by 2015 the proportion of people without sustainable access to safe drinking water and basic sanitation

	Target 11 Have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers
Goal 8 Develop a global partnership for development	***Target 12*** Develop further an open rule-based predictable nondiscriminatory trading and financial system (including a commitment to good governance, development, and poverty reduction—both nationally and internationally)
	Target 13 Address the special needs of the Least Developed Countries (including tariff- and quota-free access for Least Developed Countries' exports, enhanced programme of debt relief for Highly Indebted Poor Countries [HIPCs] and cancellation of official bilateral debt, and more generous official development assistance for countries committed to poverty reduction)
	Target 14 Address the special needs of landlocked developing countries and small island developing states (through the Programme of Action for the Sustainable Development of Small Island Developing States and 22nd General Assembly provisions)
	Target 15 Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long-term Some of the indicators are monitored separately for the least developed countries, Africa, landlocked developing countries, and small island developing states
	Target 16 In cooperation with developing countries, develop and implement strategies for decent and productive work for youth
	Target 17 In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries
	Target 18 In cooperation with the private sector, make available the benefits of new technologies, especially information and communications technologies

Source: UN Millennium Project 2005, *Investing in Development: A Practical Plan to achieve the Millennium Development Goals. Overview,* pages xii - xiii.

Annex 2. Africa: Major trends in selected MDGs' targets by region

Goals	Targets	North Africa	Sub-Saharan Africa
Goal 1 Eradicate extreme poverty and hunger	◖ Reduce extreme poverty by half	On track	High; no change
	◖ Reduce hunger by half	High; no change	Very high; little change
Goal 2 Achieve universal primary education	◖ Universal primary schooling	On track	Progress but lagging behind
Goal 3 Promote gender equality and empower women	◖ Girls' equal enrolment in primary school	On track	Progress but lagging behind
	◖ Girls' equal enrolment in secondary school	Met	Progress but lagging behind
	◖ Literacy parity between young women and men	Lagging behind	Lagging behind
	◖ Women's equal representation in national parliaments	Progress but lagging	Progress but lagging behind
Goal 4 Reduce child mortality	◖ Reduce mortality of under-five-year-olds by two-thirds	On track	Very high but no change
	◖ Measles immunization	Met	Low; no change
Goal 5 Improve maternal mortality	◖ Reduce maternal mortality by three-quarters	Moderate	Very high

Goal 6 Combat HIV/AIDS, malaria and other diseases	◖ Halt and reverse spread of HIV/AIDS	No data	Stable
	◖ Halt and reverse spread of malaria	Low	High
	◖ Halt and reverse spread of TB	Low and declining	High and increasing
Goal 7 Ensure environmental sustainability	◖ Reverse loss of forests	Less than 1% forest	Declining
	◖ Halve proportion without improved drinking water in urban areas	Met	No change
	◖ Halve proportion without improved drinking water in rural areas	High access, little change	Progress but lagging
	◖ Halve proportion without sanitation in urban areas	On track	Low access; no change
	◖ Halve proportion without sanitation in rural areas	Progress but lagging	No change
	◖ Improve the lives of slum dwellers	On track	Rising numbers
Goal 8 A global partnership for development	◖ Youth unemployment	High; no change	High; no change

Source: UN Millennium Project 2005, *Investing in Development: A Practical Plan to achieve the Millennium Development Goals. Overview,* page 3.