Economic Commission for Africa

The Monterrey Consensus and Development in Africa:

Progress, Challenges and Way Forward

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Table of Contents

Executive Summary

Since the dawn of the new Millennium, several promises have been made by Africa's development partners as part of an overall effort to scale up resources for development in the region. The Monterrey Consensus, the World Summit Outcome, the Paris Declaration and the G8 Gleneagles Declaration capture the main commitments in this area. These commitments were driven by the need to accelerate progress towards meeting the Millennium Development Goals (MDGs). We are now at the midway point between the year in which the MDGs were adopted and the 2015 target date and available evidence indicates that African countries will not meet the goals if present financing trends continue. Consequently, the international community has now focused attention on how to scale up financing for the region. It has been acknowledged that the implementation of the commitments in the Monterrey Consensus is critical to achieving this objective.

Against this background, this paper provides an assessment of where we are in terms of meeting the commitments to Africa in the six core areas of the Monterrey Consensus: mobilizing domestic financial resources for development; mobilizing international resources for development; promoting international trade as an engine of development; increasing international financial and technical cooperation for development; external debt relief and sustainability; and addressing systemic issues.

The paper finds that Africa's recent economic growth performance has improved relative to the situation before the adoption of the Monterrey Consensus. Average annual growth of real GDP increased from 3.3 percent in the pre-Monterrey period (1998-2001) to 4 percent in the post-Monterrey period (2002-2005). But it is still below the average 7 percent growth deemed necessary to meet the MDGs. Furthermore, the improvement in growth has not been translated into progress in the ultimate objective of poverty reduction. Consequently, more effort is needed to accelerate growth in the region and ensure that it is pro-poor.

In the area of domestic resource mobilization, the paper finds that there has been a modest increase in the ratio of domestic savings to GDP, although it has not led to an increase in investment ratios. Capital market development, strengthening micro-finance institutions, better governance, elimination of capital flight and measures to reduce the impact of trade liberalization on government revenue are identified as critical to boosting domestic savings in the region. An international environment that supports a gradual approach to trade liberalization in the region would be welcome.

Some progress has also been made in the mobilization of international resources for development. Net FDI flows to the region increased from an average of US$11.9 billion in the pre-Monterrey period to US$18.1 billion in the post-Monterrey period. But FDI continues to be concentrated in the extractive sector and in a few countries. There has also been an increase in net debt flows as well as remittances. That said, at the national level, there is the need for African countries to adopt a coherent and comprehensive policy aimed at attracting foreign capital to complement domestic resources and external aid. They must ensure that they seek and attract FDI in sectors that have high value-added, have high potential for employment creation, and do not have any negative impact on the environment. Efforts should also be made to ensure that domestic investors are not discriminated against in the drive to attract private capital flows. African countries also have to harness the potential of remittances for development and improve access to financial services to make it easier for people to use the banking system and other formal channels to receive remittances from abroad. At the international level, development partners should take actions to reduce the transactions costs of remitting money to developing countries.

In the area of international trade, African countries have made progress in promoting exports as evidenced by the fact that the share of exports in GDP increased from 29 percent in the pre-Monterrey period to 33 percent in the post-Monterrey period. However, there has not been any significant progress in efforts to improve the international trading environment for African countries. In this regard, there is the urgent need for development partners to ensure that any potential trade deals under the Doha Round address the development concerns and needs of African countries. The recent Aid-for-Trade initiative of the WTO has an important role to play and is welcome. However, it is taking too long to operationalize. There is the urgent need for all parties involved in the initiative to fast-track its implementation so that valuable time is not lost in increasing the capacity of African countries to take advantage of existing opportunities in the multilateral trading system.

Some progress has also been made both in terms of increasing aid quantity and improving aid effectiveness. However, there is a wide gap between actual aid flows and donor commitments to the region. More importantly, the quantity of aid is still below what is needed to ensure accelerated and sustained growth in the region. Africa's development partners should scale up efforts to meet their pledges on aid. They should also make more efforts to reduce the transactions costs of aid delivery as well as untie aid flows and make them more predictable.

Significant progress has been made on debt relief in the last two years. However there is the need to extend eligibility for current debt relief programmes to non-HIPC African countries. It is also important to reduce the number of years it takes for countries to move from decision to completion points in the HIPC programme. Furthermore, there is the need for African countries to put in place a mechanism to ensure that loans from new creditors do not lead to a new cycle of indebtedness.

On systemic issues, progress has been very limited. African countries still do not have fair representation in decision making organs of international institutions. Efforts should be made by the international community to increase the voting power of African countries at the IMF, BIS, the World Bank and the WTO. This will ensure that these institutions are sensitive to the needs and concerns of poor countries and make them more accountable to the region.

In conclusion, the evidence on the implementation of the Monterrey Consensus suggests that substantial progress has been made in the area of external debt relief. However, very limited progress has been made in the other core areas of the Consensus. There is the understanding that monitoring of the commitments made by both African countries and their development partners is essential if the objectives of the Monterrey Consensus are to be realized. African leaders have recognised this and put in place a mechanism to monitor progress in the implementation of their commitments as well as those of their development partners. The recent institutionalization of an African Ministerial Conference on Financing for Development is a bold step by African Leaders in this area. The international community has also put in place a mechanism to monitor donor performance. For example, they have established an African Partnership Forum and an African Progress Panel, both of which will monitor progress in the implementation of key commitments on development finance. Ultimately, the effectiveness of these monitoring mechanisms shall be assessed in terms of how they are able to turn promises made by development partners into deeds. For it is only through the implementation of these commitments that African countries and the international community can reduce poverty in the region and lay the foundation for a brighter future for its people.

1. Introduction

The Monterrey Consensus adopted by Heads of State and Government in March 2002 has emerged as the key framework for discussions on development finance by both developed and developing countries. In the African region, the adoption of the Consensus was seen as an important step in scaling up efforts to mobilize domestic and external resources for growth and poverty reduction. It is now five years since the Consensus was adopted and the key question on the minds of African policymakers is the extent to which the laudable objectives have been achieved in the six core areas, namely: mobilizing domestic financial resources for development; mobilizing international resources for development; promoting international trade as an engine of development; increasing international financial and technical cooperation for development; external debt relief and sustainability; and addressing systemic issues.

Within the framework of the Monterrey Consensus several attempts have been made in recent years to address the challenges of financing development faced by poor countries. These efforts are reflected in the 2005 World Summit Outcome, the 2005 Paris Declaration on Aid Effectiveness, and the 2005 G8 Gleneagles Summit Declaration. Since the new Millennium, G8 countries have paid more attention to development issues affecting Africa in their summits. This is due in part to the recognition that access to finance is critical to achieving the MDGS in Africa. It is also partly a response to the report of the Commission for Africa published by the United Kingdom in 2005 which had a tremendous influence on the approach of G8 countries to Africa's development problems.

The Gleneagles Summit was the first bold, concrete and comprehensive effort made by G8 countries to tackle the development finance problems of Africa. It recognized the need for a substantial increase in Official Development Assistance (ODA) to Africa to enhance the prospects of sustained economic growth and poverty reduction. In this regard, G8 leaders made a commitment that compared to 2004 they will double their aid to Africa by 2010. They also agreed to increase, along with other donors, total ODA to Africa by US$25 billion a year by 2010. On debt, they made commitments to cancel 100 percent of outstanding debts of eligible Heavily Indebted Poor Countries (HIPC) to the International Monetary Fund (IMF), the International Development Association (IDA) and the African Development Fund (ADF) and to provide additional resources to ensure that the financial capacity of these international financial institutions is not reduced. They also re-affirmed their commitments to the Paris Declaration and renewed their pledge to help Africa prevent and resolve conflicts, promote good governance, boost investment in health and education, take action to combat HIV/AIDS and other diseases, develop its infrastructure, build trade capacity and stimulate growth.

While the G8 Gleneagles Summit added momentum to the commitments made by world leaders in the Monterrey Consensus, there is increasing concern in Africa that very little progress has been made in key areas of the Consensus. The international community through the United Nations General Assembly has also stressed that if current trends continue African countries will not be able to mobilize the resources required to finance public investments critical to achieving the MDGs. As part of efforts to focus attention on this issue, as well as other challenges facing developing countries in development finance, the UN General Assembly has agreed to hold a High-Level Dialogue on Financing for Development in the autumn of 2007. This will be followed by an International Conference in Doha in the second half of 2008 to review the Implementation of the Monterrey Consensus.

Against this background, this report assesses the degree of progress made in Africa in the six core areas of the Monterrey Consensus. The objective is to determine the extent to which the laudable objectives of the Consensus have been met in the region. We use four-year averages of annual data on key macroeconomic variables before and after the adoption of the Consensus and ask whether there have been any significant changes in the evolution of these variables over the two periods under consideration. Since the Consensus was adopted in March 2002, the periods compared are averages for 1998-2001 to capture the pre-Monterrey period, and 2002-2005 representing the post-Monterrey period. Where available, we also use more recent figures to give an idea of current performance. The rest of the paper is organized as follows.

The next section of the paper provides an overview of Africa's economic performance before and after the adoption of the Monterrey Consensus. This will enable us to determine how close we are to achieving the overall objective of the Consensus, namely to boost growth and reduce poverty in the region. Section 3 deals with Africa's performance in the area of mobilization of domestic resources and Section 4 describes progress in the mobilization of international finance, particularly Foreign Direct Investment (FDI). Section 5 examines the extent to which progress has been made in promoting international trade as an engine of growth while Section 6 focuses on international technical and financial cooperation for development. In particular, it provides trends in aid flows to Africa and addresses recent issues on aid architecture. Section 7 examines progress in the state of external debt relief in Africa and discusses issues of debt sustainability within the broader framework of achieving self-sufficiency in development finance and promoting development in the African continent. Finally, Section 8 deals with systemic issues and Section 9 outlines the way forward.

2. Economic performance

There is not doubt that there has been a relative improvement in the economic performance of the African region since the adoption of the Monterrey Consensus in 2002. Average annual growth of real Gross Domestic Product (GDP) increased from 3.3% in the pre-Monterrey period (1998-2001) to 4.0% in the post-Monterrey period (2002-2005). For Sub-Saharan Africa (SSA), the growth figures are 3.2% and 4.0% respectively for the pre-Monterrey and Post-Monterrey periods. It is interesting to note that these growth rates are above the world average recorded during the period (Table 1). Furthermore, it is expected that the economic performance of the region will be better in the next few years. For example, estimates for 2007 suggest that Africa's real GDP will grow at an annual rate of 6.2%, with SSA accelerating towards 6.8%. The recent improvement in economic performance is a result of increases in world demand for Africa's exports—such as oil, metals and minerals—reduction in conflicts, a more hospitable external environment, and improved macroeconomic policies in a number of countries (ECA, 2007).

Table 1: Trends in selected economic indicators

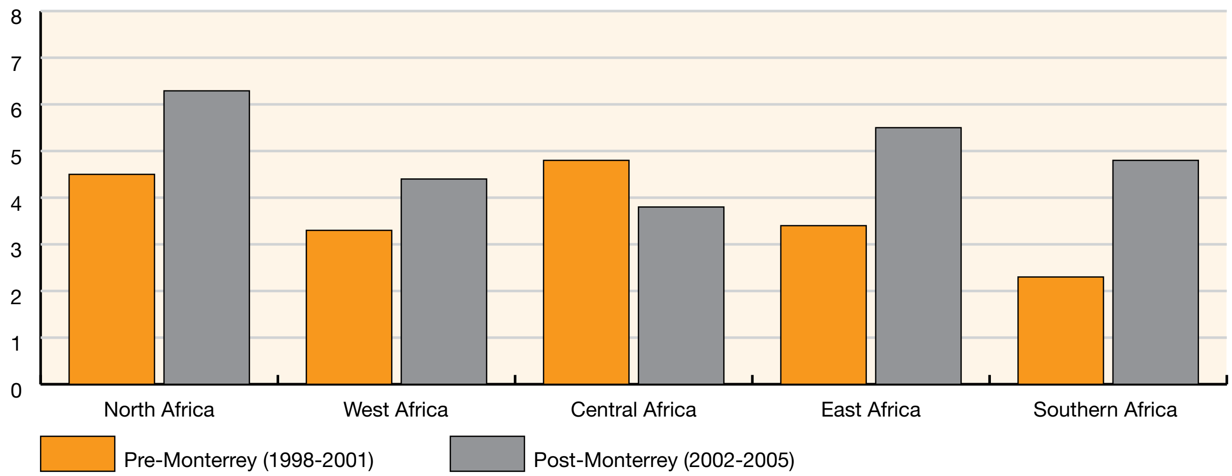
	Pre-Monterrey period (1998-2001)	Post-Monterrey period (2002-2005)	2007*
Real GDP growth (%)			
World	3.4	3.8	4.9
Africa	3.3	4.0	6.2
SSA	3.2	4.0	6.8
Rate of inflation (%)			
World	4.7	3.6	3.5
Africa	11.8	9.2	10.7
SSA	14.7	11.3	12.7

**estimate*

***Source**: computations based on ECA (2007) and IMF (2007b)*

Growth performance varied significantly across sub-regions. In the post-Monterrey period, North and East Africa recorded higher rates of growth than other sub-regions, while Central Africa had a decline in growth rate relative to the pre-Monterrey period (figure 1). Average annual growth in North Africa was 6.3% in the post-Monterrey period. The recovery of the Democratic of Congo, as well as improvements in the Tanzanian, Kenyan and Ethiopian economies have made Eastern Africa the second fastest growing sub-region in the post-Monterrey period.

Figure 1: Real GDP growth in Africa by sub-region

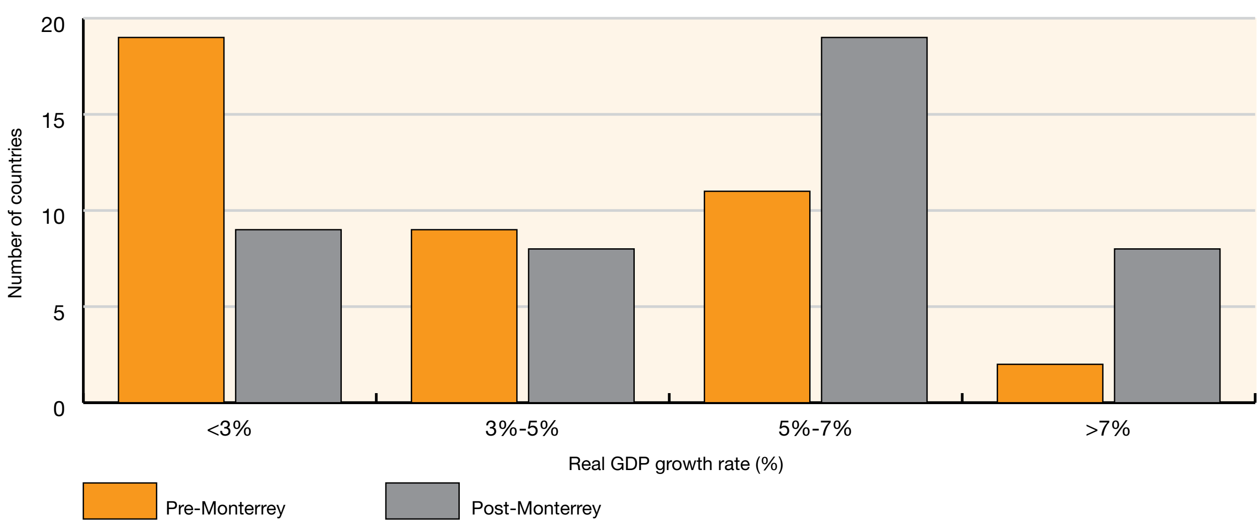


***Source**: computations based on ECA (2007)*

The Southern African sub-region also made significant progress, improving its growth rate from an average of 2.3% in the pre-Monterrey period to 4.8% in the post-Monterrey period, which represents the highest percentage point increase in growth experienced in the African region during the period under consideration. This is due in part to the recovery of the Angolan economy, which during the post-Monterrey period grew at a rate of 13.7% compared to just 3.6% in the pre-Monterrey period. The end of the protracted civil war coupled with the oil boom helped Angola to grow rapidly in the post-Monterrey period.

The distribution of growth across countries is also interesting (Figure 2). In the pre-Monterrey period, 19 African countries had a growth rate lower than 3%. In the post-Monterrey period, the number of countries in this group fell by half and several countries are now in the group that recorded a growth rate between 5%-7%, which is remarkable. In addition, in the pre-Monterrey period only two countries—Mozambique and Equatorial Guinea—registered a growth rate above 7%. In the post-Monterrey period, eight countries are in this group, and so there has been an increase in the number of countries that have achieved the average 7 percent growth rate deemed necessary to meet the MDGs. [1]

Figure 2: Growth profile in Africa

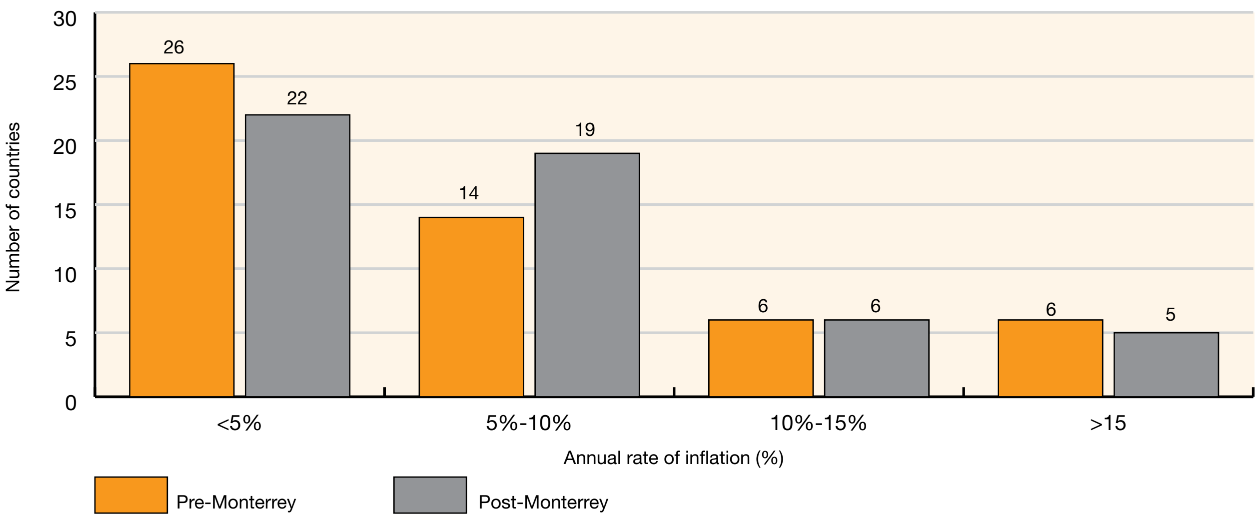


***Source**: computations based on ECA (2007)*

1 These are Rwanda, Ethiopia, Liberia, Sudan, Mozambique, Mauritania, Eq. Guinea, Angola

With regard to other indicators of economic performance, such as macroeconomic stability, Africa has also made notable improvements. The average rate of inflation for the region declined from 12% in the pre-Monterrey period to 9% in the post-Monterrey period. In SSA it declined, respectively from 15% to 11% (Table 1). In 2007, inflation is expected to rise again in Africa, with the possibility of losing grounds gained during the period 2002-2005. Relative to the world, inflation rates in Africa, particularly SSA, are still high and, if unchecked, can stifle long-term growth. That said, the number of countries with very high rates of inflation has declined slightly from six in the pre-Monterrey period to five in the post-Monterrey period. Furthermore, a large number of African countries now have inflation rates below 10% (Figure 3).

Figure 3: Inflation rates in Africa



***Source**: computations based on ECA (2007)*

Despite the recent progress in economic performance, several African countries still have average growth rates below the 7% deemed necessary to make a meaningful impact on poverty (ECA, 1999). Recent growth figures show that no sub-region in the continent achieved a 7% growth rate in either the pre or post-Monterrey period and only eight countries in Africa registered a growth rate higher than 7% in the post-Monterrey period. The challenge therefore for Africa would be to accelerate and sustain a growth rate higher than 7% in the coming years. Clearly, this requires dealing with vulnerability to internal and external shocks, the effect of which linger for long periods. Political instability, drought, flood, epidemics, and terms of trade shocks are well known factors inhibiting growth and development in Africa. It is imperative that African countries put in place mechanisms to prevent and resolve political conflicts and also protect their economies from external shocks through diversification of their production and export structures. Another challenge facing African countries is how to ensure that the recent increase in growth is translated into progress in key areas of social development. Sub-Saharan Africa still lags significantly behind other developing regions in the areas of education, health, and other indicators of social development (ECA, 2007). Given the strong links between education, health and poverty, there is the need for government to ensure that future growth is pro-poor to increase the likelihood of meeting the MDG targets.

3. Mobilizing domestic financial resources

Domestic saving has a critical role to play in financing development in the African region. It is needed to provide resources for investment, boost financial market development, and stimulate economic growth. Yet, African countries have difficulties mobilizing adequate domestic resources to meet their investment needs. Consequently, the region continues to have significant financing gaps that have to be closed to provide resources for public investments to meet the MDGs. Several studies have tried to estimate the magnitude of the resources needed for Africa to meet the MDGs. For example, the estimates provided by Sachs et al (2004) suggests that SSA would need about $25 billion in additional assistance per year in order to meet the MDGs. Similar estimate was provided by the Commission for Africa. While external assistance has played an important role in narrowing the financing gap facing African countries, it is not a sustainable solution to the development finance problems facing the region. More efforts are needed to boost domestic savings and use it as a critical and stable source of financing for development.

Available data indicate that since the adoption of the Monterrey Consensus, African countries have made slight progress in mobilizing domestic resources. Based on average annual data, the ratio of savings to GDP increased from 19 percent in the pre-Monterrey period to 22 percent in the post-Monterrey period. More remarkable progress has been made in recent years. For example, in 2007 the savings ratio is projected to increase further to 26% (Table 2). While there has been a relative increase in the savings ratio, domestic investment as a share of GDP has been stagnant at about 20 percent in both pre and post-Monterrey periods. It is projected to increase to 22.1% in 2007. For countries in SSA, the trends in savings and investment ratios were the same as the whole region.

Table 2: Savings and investment ratios

	Pre-Monterrey (1998-2001)+	Post-Monterrey (2002-2005)+	2007++
Domestic savings (% of GDP)			
Africa	19.0	22.0	26.0
SSA	17.8	20.0	22.1
North Africa	21.0	25.0	30.0
Investment (% of GDP)			
Africa	19.7	20.1	22.1
SSA	18.4	19.0	19.8
North Africa	21.6	21.9	24.4

**Estimates*

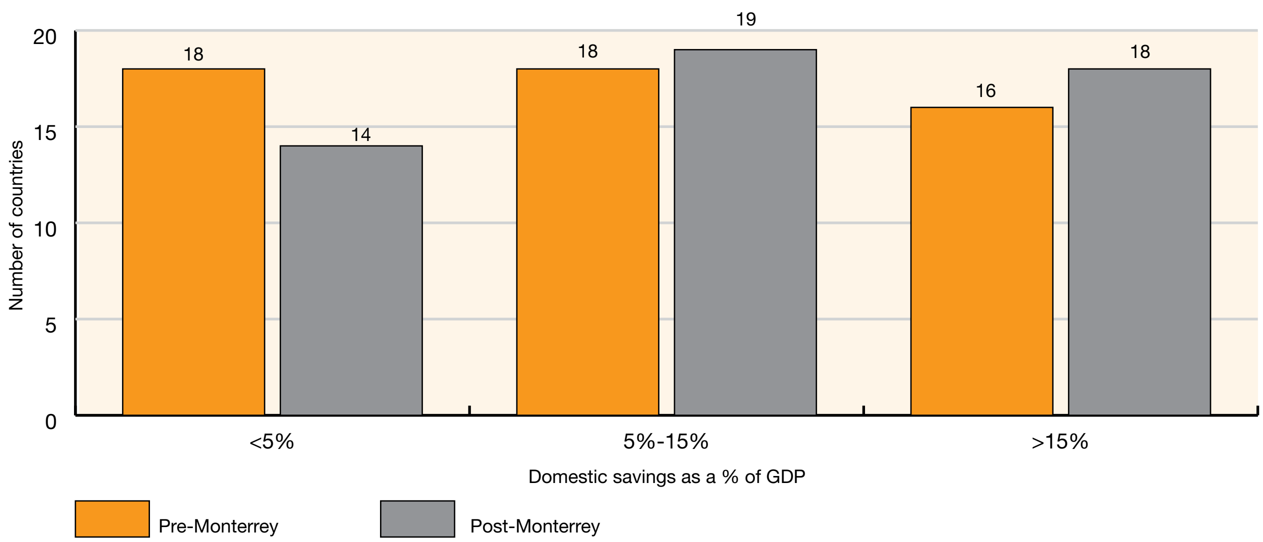
*** Projections*

***Source**: computations based on WDI (2007) and IMF (2007a)*

The regional figures on savings ratios presented here mask striking differences across countries. There are still a large number of countries whose overall savings ratio is lower than 15%, a figure considered to be very low in financing a meaningful growth rate (Figure 4). In the post-Monterrey period 18 countries had savings ratios above 15% compared to 16 in the pre-Monterrey period. While this is not a big change, it shows that some African countries are making headways in mobilizing domestic resources. For example, countries such as Algeria, Botswana, Democratic Republic of Congo, Gabon, and Nigeria had average savings ratios above 30 percent in the post-Monterrey period.

Table A1 (in the appendix) shows that, relative to the pre-Monterrey period, eleven African countries registered an increase in saving ratios in excess of 5 percentage points in the post-Monterrey period. In terms of the change in savings ratios, the big gains were observed in Chad, Swaziland, Algeria, Zambia, Namibia and Djibouti. Overall, twenty-nine countries had an increase while nineteen countries had a decrease in savings ratios in the post-Monterrey period. It should be noted that in most of the countries that had an increase in savings ratios, it was due to the sharp rise in the price of oil, diamond and other commodity exports. It is not clear whether or not these countries can sustain the current increase in savings, especially if there is a decline in the world price of their exports.

Figure 4: Distribution of Savings



***Source**: computations based on WDI (2007)*

The state is an important source of domestic savings because of its capacity to mobilize resources through taxation. An increase in public sector savings increases the ability of the government to provide and maintain public services—such as education, health, infrastructure, portable water and other social amenities—that are vital for the realization of long-term development objectives. Table A2 shows that in Sub-Saharan Africa, there has been modest progress in the ratio of Government revenue to GDP in both the pre and post Monterrey periods. The ratio increased from about 21 percent in the pre-Monterrey period to 23 percent in the post-Monterrey period. At the country-level, there has also been modest progress. The number of countries with a revenue to GDP ratio of 30 percent and above rose from seven in the pre-Monterrey period to eleven in the post-Monterrey period. Countries that had high revenue ratios in both periods include: Angola, Botswana, Eritrea, Gabon, Lesotho, Namibia, and Seychelles. Despite these improvements, several countries in the sub-region still have very low tax ratios and so the aggregate figure for the sub-region is still low. One of the reasons why there has not been a rapid change in aggregate tax ratios in Africa is that several governments in the region have difficulties dealing with the problem of tax evasion and avoidance as well as increasing efficiency in the use of public resources. Furthermore, several countries in the region have embarked on trade reforms and this has led to a reduction in domestic revenue from trade taxes. In principle, the loss in tariff revenue resulting from trade reform could be off-set by a switch to non-trade taxes. However, experience has shown that low income countries have difficulties recovering lost tariff revenue through a switch to non-trade taxes.

Historically private savings also play a crucial role in Africa. However, the long-term trend of private savings has not been encouraging. Low levels of per capita income, high dependency ratios, and a high degree of dependence on foreign aid have so far led to lower rate of private savings (Elbadawi and Mwenga, 2000). In addition, existing financial institutions are thinly spread and inefficient in mobilizing domestic resources. Capital markets can play an important role in the mobilization of domestic resources. Presently, the financial sector in African countries is still dominated by commercial banks, which focus on short term lending. This needs to change, as commercial banks do not cater to the long-term needs of both individual and institutional investors. Therefore, to the extent that capital markets offer different kind of financial services than the banking system, they provide an extra impetus to economic activity.

Empirical evidence shows that stock market development indicators are robustly correlated with current and future rates of economic growth. Well-developed capital markets in other developing countries have played an important role in mobilizing resources and providing the much-needed impetus for growth and development in these regions. However, to play an effective role in economic development, capital market development must be underpinned by an efficient and robust regulatory framework. By protecting investors, ensuring fair, efficient and transparent markets and reducing systemic risk, efficient capital market regulation increases operators' confidence and attracts investors. The development and expansion of capital markets in Africa is constrained by factors such as: limited market size and capacity, lack of trained human capital, market fragmentation, shortage of equity capital, information inefficiency, inefficient regulatory regimes and lack of investor confidence in stock exchanges.

Micro-finance institutions also have a role to play in the mobilization and allocation of domestic resources. The emergence of micro-finance institutions in a number of African countries in the last decade has created an opportunity for smallholder farmers in rural areas, and small businesses in urban areas to access credit for business development and employment generation. Strengthening the capacity and operational outreach of such institutions could accelerate the pace of financial sector development as well as poverty reduction by reducing the number of credit-constrained individuals and entrepreneurs. Only a few African countries have an appropriate legal provision and regulatory framework that enable micro-finance institutions to function smoothly. Thus, experience sharing and dissemination of good practices on micro-finance within the continent could improve significantly the mobilization of savings and its transmission into investment.

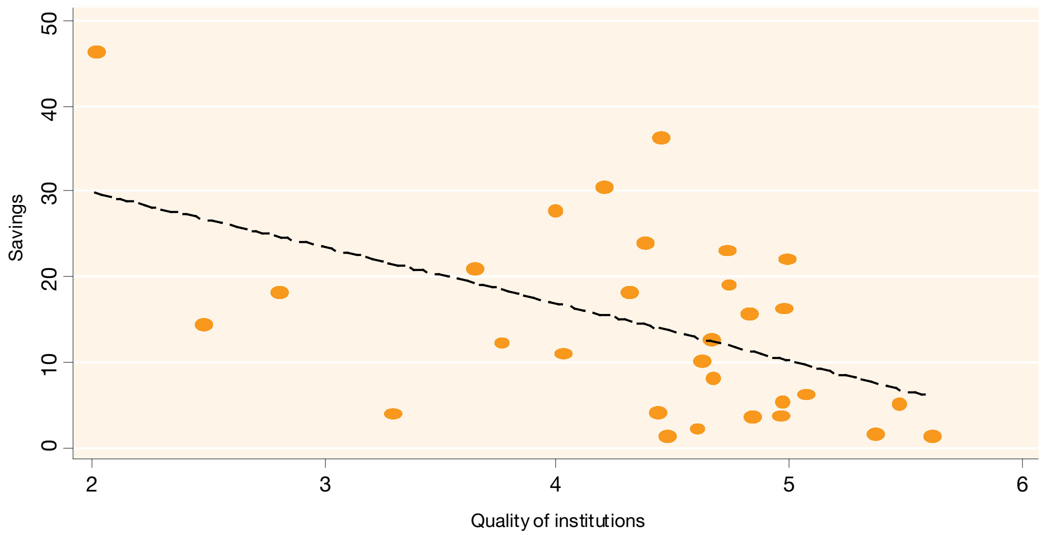
The Monterrey Consensus recognizes the role of good economic and political governance in the mobilization of domestic resources. Figure 5 shows that, for a sample of African countries for which data are available, domestic savings decline as the quality of institutions deteriorate.[2] The correlation coefficient between these variables is 33%.[3] It should be noted that the quality of institutions can affect domestic savings through a variety of channels. The first is through the direct effect that weak institutions may have on long term economic growth, as has been documented extensively in recent studies which in turn can lead to lower savings.[4] The second possible channel is that a weak institution can increase the incidence of corruption thereby reducing public and domestic savings.

2 The data on the quality of institutions is based on the International Country Risk Guide data set which provides index on 12 indicators of political instability in a given country.

3 Higher figures of the index of institutional quality indicate worsening situation.

4 See for example, Ndulu and O'Connel 1999; Collier and O'Connel, 2005.

Figure 5: Institutions and domestic savings in Africa (average 1984-2004)



While it is generally accepted that Africa needs to increase its savings ratio in order to enhance prospects for meeting the MDGs, it is important to stress that the availability of savings does not guarantee that it will be translated into productive investment. The government has to create an investment environment conducive for the private sector to have an incentive to access existing domestic savings for investment. At the moment, most Sub-Saharan African countries rank bottom in being business friendly. In addition, it takes twice and more complicated procedures to start business in SSA compared to Asia.[5] Therefore, African governments need to make more efforts to improve the investment environment. In this regard, the recent establishment of the Investment Climate Facility in the region to assist in building a business friendly environment is welcome.

5 World Bank (2007)'s *Doing Business Report* indicated that among the 30 or so SSA countries surveyed, only Namibia, Botswana and South Africa performed well as being business friendly.

4. Mobilizing international resources for development

International financial resources, particularly Foreign Direct Investment (FDI), are important complements to domestic resources and have the potential to facilitate economic development. They enhance transfer of new knowledge and technology, contribute to employment creation, improve competitiveness, and boost exports. Yet, countries in the African region have difficulties attracting significant FDI flows and this is reflected in the low shares of the region in global inward FDI flows.

Since the Monterrey Consensus, the Africa region has made progress in attracting FDI inflows. Recent data suggest that in 2006, the region attracted US$39 billion in gross FDI inflows thereby increasing its share of global inflows to 3 percent, compared with the less than 2 percent average recorded for most parts of the 1990s (UNCTAD 2007). In terms of Net FDI inflows to the region, it rose from an average of US$12 billion over the period 1998-2001 to US$18 billion in the period 2002-2005 (Table 3). For Sub-Saharan Africa, net FDI inflows rose from US$9.7 billion to US$13.4 billion over the same period. This surge in FDI inflows however is neither distributed evenly across countries nor sectors. Most of the FDI increase in inflows in the region in the post-Monterrey period is accounted for by a few countries: Algeria, Botswana, Chad, Egypt, Equatorial Guinea, Morocco, Nigeria, and Sudan. Angola and South Africa are still major recipients of FDI inflows in the region. However, they experienced a decline in inflows in the post-Monterrey period. The extractive sector continues to dominate other sectors in terms of FDI inflows and this explains the impressive performance of countries such as Nigeria, Chad, Algeria, Equatorial Guinea and Sudan. The boom in oil and mineral prices is largely responsible for the surge in FDI in these countries.

Table 3: Net FDI inflows to Africa

	Pre-Monterrey (1998-2001)	Post-Monterrey (2002-2005)
Net FDI flow (current billions of dollars)		
Africa	11.9	18.1
SSA	9.7	13.4
North-Africa	2.2	4.7
Net FDI flow (as % of GDP)		
Africa	2.1	2.4
SSA	2.9	2.8
North-Africa	1.0	1.7

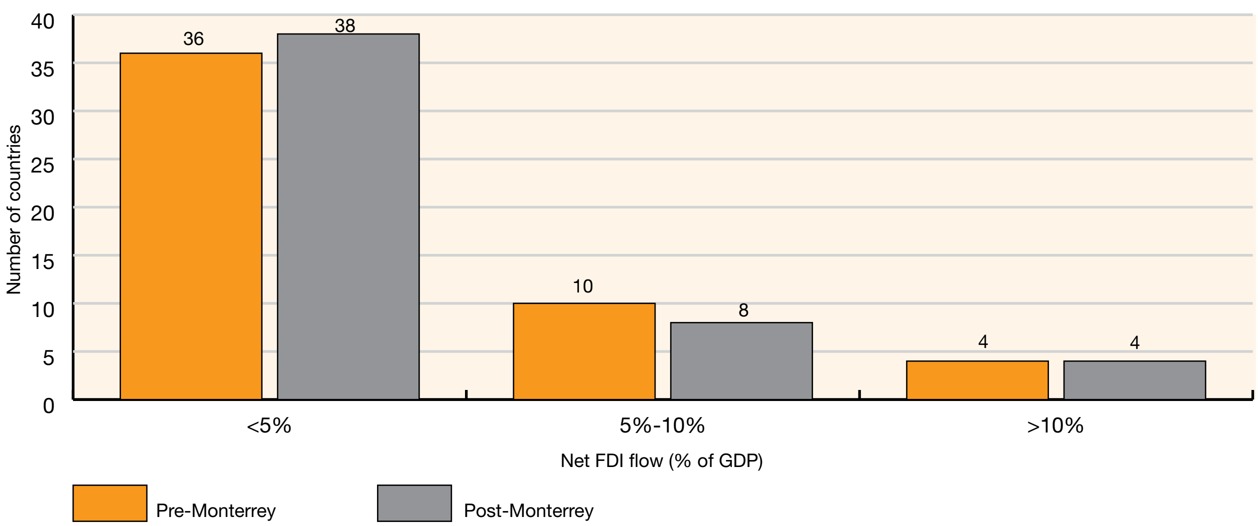
Source: computations based on WDI (2007)

There has also been progress, albeit modest, among non-oil producing countries in the region. Several countries that recovered from protracted conflict in the last decade made modest progress in attracting FDI. Uganda, Ethiopia, and Sierra Leone are cases in point. Other countries with stable political environments that have made some progress in attracting FDI are Mali, Tanzania, and Tunisia. In general, the dividend from peace, law and order, stability as well as sound macroeconomic policy coupled with favourable international prices for the extractive industry explain a large part of the improvement in the flow of FDI to Africa in the post-Monterrey period.

Despite the recent improvement in the flow of FDI, its share in African GDP remains small. In the pre-Monterrey period it was 2.1 percent and rose to 2.4 percent in the post-Monterrey period. For Sub-Saharan Africa the share was the same in both periods. At the country level, the share of FDI in GDP is also small. For example, in the post-Monterrey period, only 4 African countries—Chad, Equatorial Guinea, Gambia, and Liberia—had an FDI to GDP ratio above 10 percent. Most African countries (more than 70%) had an FDI ratio less than 5% during the period, which is quite low given the resource requirements of the region (Figure 5). Therefore one of the challenges facing countries in the region is how to increase their attractiveness to foreign investors so that they can increase their share of global FDI inflows. Globalization of the world economy has increased the competition for FDI and countries such as China and India have become major players in this market. Consequently African countries will have to make concerted efforts to be able to withstand competition in the global market for FDI. This requires improving the state of infrastructure, reducing political risk, enhancing macroeconomic stability, diversification of the export base, and using regional integration as an effective vehicle for promoting trade and investment. African countries should also pay more attention to boosting intra-African FDI flows and creating an incentive for firms and individuals to invest their wealth in the region rather than engaging in capital flight. So far, Southern Africa happens to be the sub-region that has exploited the potential for intra-African FDI flows.

While Africa needs sustained FDI flows, it is important to stress that countries should be cautious and selective in the type of flows they seek to attract. They should encourage FDI in sectors that have linkages to the rest of the economy and ensure that it leads to the transfer of knowledge and local capacity building. They should also give preference to sectors that have high-value added and significant potential for employment creation. The environmental impact of FDI flows should also be taken more seriously by African governments.

Figure 6: Distribution of Net FDI inflows to Africa



***Source**: computations based on WDI (2007).*

In general, there has been a significant increase in net private capital flows to Sub-Saharan Africa since the Monterrey Consensus was adopted. Average annual net private capital flows increased from US$13.4 billion in the pre-Monterrey period to US$19 billion in the post-Monterrey period. The estimate for 2006 is roughly US$41.6 billion. Most of the increase in private capital flows to the region has been in the form of equity with FDI accounting for a significant proportion of the equity flows. There has also been an increase in net debt flows, but it still accounts for a relatively small percentage of net private capital flows to the sub-region (Table 4). Remittances are beginning to play an important role in financing development in the sub-region. It increased from US$4.5 billion in the pre-Monterrey period to US$6.8 billion in the post-Monterrey period. In 2006 the figure was US$8.7 billion. Although FDI is an important source of private capital flows to Africa, there is the need to enhance efforts to attract more remittances to the region.

Table 4: Net capital flows to Sub-Saharan Africa ($billions)

	Pre-Monterrey (1998-2001)	Post-Monterrey (2002-2005)	2006 (estimate)
Net Private Flows (debt + equity)	13.4	19	41.6
Net Equity Flows	14.9	17.1	31
• FDI inflows	9.7	13.4	18.5
• Portfolio equity inflows	5.2	3.6	12.5
Net Debt Flows (private + official)	-1.1	3.2	8.8
• Debt flows (private creditors)	-1.5	1.9	10.6
Workers' Remittances	4.5	6.8	8.7

Source: computed using data in Global Development Finance (2007).

5. Promoting international trade

International trade is an important engine for growth and will play a major role in any meaningful effort aimed at accelerating the pace of development in the African region. By providing access to foreign exchange, expanding markets, increasing foreign direct investment facilitating the transfer of technology, and boosting domestic productivity, it can create employment and increase domestic incomes. It is well known that Africa accounts for a very low share of world trade—about 2 percent. Reversing this trend and integrating the region into the global economy has been a key objective of African countries and their development partners. The Monterrey Consensus also emphasized the importance of trade in promoting economic development and integrating developing countries into the multilateral trading system.

Growth of real exports of goods and services in Africa increased from an average rate of 3.7 percent in the pre-Monterrey period to 5% in the post-Monterrey period. In Sub-Saharan Africa it rose from 3.7 percent to 4.1 percent in pre and post-Monterrey periods respectively (Table 5). There was also an increase in North Africa from 3.8 percent to 5.7 percent over the same periods. The recent export growth observed in the region can be seen in a heterogeneous group of countries, ranging from oil exporting (Algeria) to non-oil exporting and low income economies (Gambia). Eight African countries had an average growth rate above 10 percent in the post-Monterrey period. These are Cape Verde, Chad, Egypt, Ethiopia, Gambia, Mozambique, Sudan, and Zambia. Overall several countries in Africa registered an expansion in exports in the post-Monterrey period. The exceptions are—Comoros, Eritrea, Mauritania, and Zimbabwe—that had negative growth in real exports in the post-Monterrey period (Table A6).

In terms of the share of exports in GDP, another indicator of export performance, Table 4 shows that it increased in Africa by 4 percentage points, from 29% in the pre-Monterrey period to 33% in the post-Monterrey period. This reflects the fact that African economies are becoming relatively more open to international trade. It should be noted that the change in the ratio of exports to GDP was more in North Africa than in SSA even though the latter has a higher ratio. In general, relative to the pre-Monterrey period, twenty-eight countries had an increase in the share of exports to GDP in the post-Monterrey period. Nineteen countries had a decrease in export ratios. Furthermore, five countries had an increase in export ratios above 10 percentage points in the post-Monterrey period. These are such as Gabon, Lesotho, Libya, Mozambique, and Seychelles.

Table 5: Africa's export performance

	Pre-Monterrey (1998-2001)	Post-Monterrey (2002-2005)
Growth in real exports (%)		
Africa	3.7	4.9
• SSA	3.7	4.1
• North Africa	3.8	5.7
Share of exports in GDP (%)		
Africa	29	33
• SSA	31	34
• North Africa	26	31

***Source**: computations based on WDI (2007).*

Despite the recent increase in the growth of exports in Africa, the region's share in global trade is still relatively small and it is increasingly facing more competition in global markets for its exports which is likely to increase its marginalization in the global economy. In addition, most African countries still face serious internal and external barriers to trade and export market expansion and so have not been able to obtain their fair share of the benefits from the multilateral trading system (Osakwe, 2007). The Doha Development Agenda was supposed to address this issue. However, progress in the Doha Round has been at best limited. Negotiations were suspended in July 2006 because of the inability of WTO members to arrive at an agreement on key issues in the agricultural and non-agricultural aspects of the negotiations. The talks resumed in February 2007 but the key players have not been able to resolve their differences. Consequently, it is not clear whether or not the Round will be completed by December 2007.

Countries in the region continue to rely on the export of primary commodities which have very low income elasticity of demand and hence less opportunity for rapid export market expansion (Table 6). African countries have to move into the export of new and dynamic products in world trade if they are to increase the region's share in global exports. Diversification of the production and export structure is necessary to achieve this objective. It is also a good way to protect countries from vulnerability to external shocks resulting from terms of trade instability. The need to diversify and improve productive capacities has been acknowledged by African countries and several of them are making conscious efforts to achieve the objective. Clearly, to stimulate productive capacities, African countries need to maintain stable macroeconomic conditions, create a legal and regulatory environment conducive to export promotion, support the private sector, promote the adoption of information and communication technologies, and develop adequate institutional, physical and social infrastructure. But diversification is not a costless activity. It requires human and financial resources and these are severely limited in African countries. Therefore development partners have an important role to play in assisting countries in the region to achieve their diversification objectives.

Table 6: Sectoral composition of exports from SSA (%)

	2000	2005
Food and beverage	12.5	9.1
Raw materials	10.2	7.9
Fuels	46.9	54.9
Manufacturing and chemicals	29.6	26.4

***Source**: IMF (2007)*

There are at least three ways in which Africa's development partners could play a role in this area. First, there is the urgent need for more meaningful market access opportunities for the region. Developed countries should offer duty and quota free market access for African exports into their markets. This will create an incentive for countries in the region to diversify their export structure in order to take advantage of improved market access and fast-track their integration into the multilateral trading system. In this regard, there is the need to incorporate this in any agreements that are reached under the Doha trade talks to provide an opportunity for African countries to use the vast potential of international trade as a mechanism for poverty reduction. Second, developed countries can contribute to Africa's diversification efforts by increasing financial support for the development of infrastructure which is a major constraint to rapid export market promotion in the region. In this regard, there is the need for development partners to provide more support for regional infrastructure development projects to reduce transport costs and make the region more competitive in the trading system.

Finally, there is the need for more technical assistance and capacity building support in the area of trade and export development. Such support will help countries in the region bridge the gap between resource needs and availability and also put them in a better position to compete on the international market. The recent Aid-for-Trade initiative of the WTO has an important role to play and is welcome. However, it is taking too long to operationalize. There is the urgent need for all parties involved in the initiative to fast-track its implementation so that valuable time is not lost in increasing the capacity of African countries to take advantage of existing opportunities in the multilateral trading system. The Aid-for-Trade initiative must avoid the traditional problems associated with previous trade capacity building programmes. These include the lack of ownership of these programmes by recipient countries, the tendency to focus more on donor priorities as opposed to those of recipients, and lack of sufficient and predictable funding.

Donor support can promote trade and export market development in Africa. However, the impact of such support will be maximized if African countries make more efforts to effectively mainstream trade into their national development strategies. This requires involving all relevant stakeholders in the design and implementation of trade policies, making sure that trade and other macroeconomic and social policies complement each other, dealing with market access impediments, and strengthening trade capacity (Dupasquier and Osakwe, 2007).

6. Increasing international financial and technical cooperation

Success and progress in international financial and technical cooperation will, to a large extent, determine whether or not African countries will be able to meet the MDGs by the 2015 deadline. The Monterrey Consensus recognizes the role of ODA as a complement to other sources of financing in poor countries. It also stresses the fact that a substantial increase in ODA will be needed by developing countries if they are to achieve the internationally agreed development goals, including the MDGs. Since the Consensus was adopted, several promises have been made to the region on scaling-up aid quantity and improving aid effectiveness. The outcomes of the 2005 G8 Gleneagles Summit and the Paris Declaration, both of which re-affirmed the commitments made in the Monterrey Consensus, contain some of the most recent pledges made by development partners on aid quantity and quality.

Aid quantity

On aid quantity, some progress has been made since the Monterrey Consensus was adopted. Net ODA flows to Africa increased from an average of US$16 billion in the pre-Monterrey period to US$28 billion in the post-Monterrey period. In addition, Africa's share in total ODA flows increased from 32% in the pre-Monterrey period to 40% in the post-Monterrey period, reflecting the increasing attention given to Africa countries by G8 countries (Table 7).

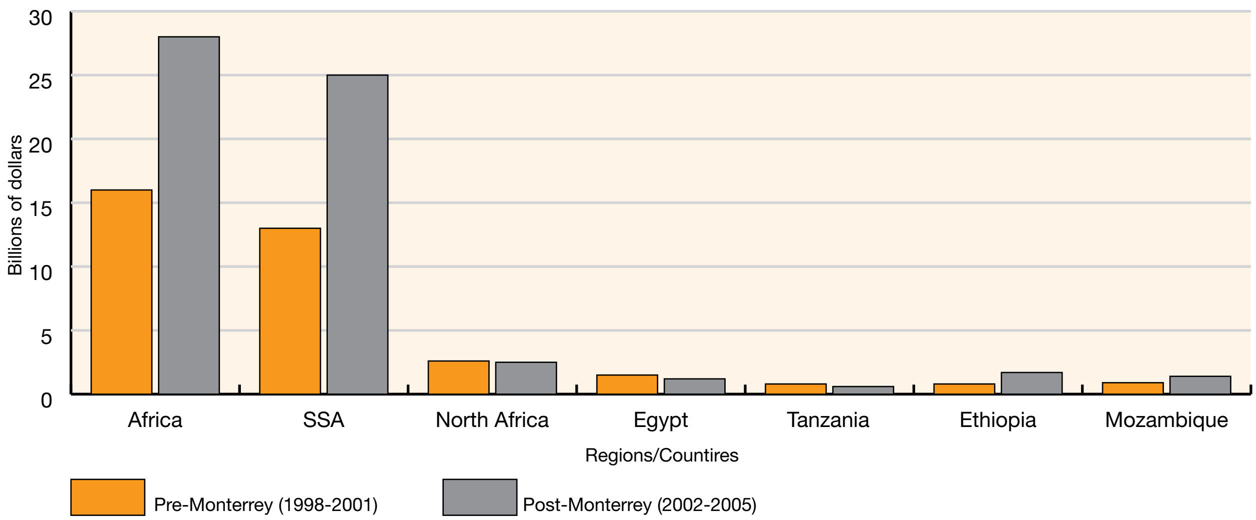
Table 7: Trends in global ODA flows

	Pre-Monterrey (1998-2001)	Post-Monterrey (2002-2005)	2006
Total ODA flow (in billions of USD)	50	76	
Total ODA from DAC countries (in billions of USD)	36	57	
Total ODA from multilateral organizations (in billions of USD)	14	19	
Africa's share of total ODA flow	0.32	0.40	
ODI (as a % of GNI of donor countries)			
DAC countries	0.25	0.27	0.27
DAC-EU countries	0.36	0.38	0.37

***Source**: computations based on OECD (2007a)*

Historically, North Africa does not depend heavily on ODA for financing development. Unlike SSA, it received very little ODA flows in both the pre and post-Monterrey periods (about US$ 2.5 billion). Within North Africa, Egypt accounts for a large share of the ODA flows to the sub-region. It received over 1 billion USD in ODA flows in both the pre and post-Monterrey periods. In SSA, net ODA increased from US$13.7 billion in the pre-Monterrey period to US$25.6 billion in the post-Monterrey period. Overall, a large part of the aid to SSA in the post-Monterrey period went to countries such as Democratic Republic of Congo, Egypt, Ethiopia, Ghana, Mozambique, Nigeria, Tanzania and Uganda (Figure 7). Nigeria is among the main recipients of aid in the post-Monterrey period because of the huge debt relief it obtained in 2005. Overall, forty-three countries in the region had an increase in ODA flows in the post-Monterrey period while nine countries had a decrease.

Figure 7: ODA flow to Africa and selected countries



***Source**: Computations based on OECD (2007a)*

Regarding the internationally agreed ODA target of 0.7 % of Gross National Income (GNI), developed countries are yet to make any significant progress here. The trend in ODA flows from the Development Assistance Committee (DAC) in the pre and post-Monterrey periods has been mixed. As shown in Table 7, the share of ODA in DAC countries GNI rose slightly from 0.25% in the pre-Monterrey period to 0.27% in the post-Monterrey period, which amounts to a 0.02 percentage point increase in ODA. European Union Members of DAC seem to have higher ratios of ODA to GNI compared to other DAC members. This is a consequence of the fact that countries such as Norway, Denmark, Luxembourg, Sweden and the Netherlands have very high ratios.

A key concern for African countries is that most of the recent increases in aid are due to debt relief and humanitarian assistance and so do not reflect additional resources available to finance development programmes. When these two components of aid are removed, it is clear that there has not been any significant change in real aid flows to the region since 2004. In this regard, it is widely acknowledged that if donors are to meet their pledge to double aid flows to Africa by 2010, there has to be a significant scaling-up of aid in 2008 and 2009. In addition, when the composition of total aid flows into Africa is broken into its intended use, there is a marked shift over the years away from productive sectors to emergency and social infrastructure development, which has undermined the effectiveness of ODA to finance development projects (Table 8).

Table 8: ODA utilization in Africa: 1973-2005

Aid use	1973-1983	1984-1993	1994-2005
Social Infrastructure and services	23	49	34
Economic Infrastructure and Services	10.4	7.7	11.5
Production sectors	25.5	16	9.6
Multi-sectoral (cross-cutting)	5.6	5.5	9.9
Emergency Assistance	17.5	15	13.5
Unallocated/unspecified	4.2	5.1	2.9

***Source**: OECD (2007)*

Aid effectiveness

The Monterrey Consensus also called for development partners to make aid more effective. Clearly, the quality of aid affects its effectiveness and ability to make a positive contribution to development in recipient countries. The 2005 Paris declaration on aid effectiveness was the first comprehensive attempt made by developing and developed countries to take concrete steps to enhance aid effectiveness. It provides a framework to improve the quality of aid which is anchored on five pillars: ownership; alignment, harmonization, managing for results and; mutual accountability. Some attempts have been made to monitor progress in improving aid effectiveness as emphasized in the Monterrey Consensus and made more concrete in the Paris Declaration. The survey conducted by the Organisation for Economic Cooperation and Development in 2006 arrived at the following conclusions.

- The Paris declaration has increased awareness and promoted dialogue at the country level on the need to improve the delivery and management of aid;
- That the pace of progress in changing donor attitudes and practices on aid management has been awfully slow and that the transactions costs of delivering and managing aid are still very high;
- There is the need to strengthen national development strategies, improve the alignment of donor support to domestic priorities, increase the credibility of the budget as a tool for governing and allocating resources, and increase the degree of accuracy in budget estimates of aid flows;
- Changing the way in which aid is delivered and managed involves new costs and this should be taken into account by donors and partners;
- Countries and donors should use performance assessment frameworks and more cost-effective results-oriented reporting. In this regard, there is the need for donors to contribute to capacity building and make more use of country reporting systems;
- More credible monitoring systems need to be developed to ensure mutual accountability.

Civil society organisations have also been active in assessing the degree of progress and implementation of the international commitments on aid effectiveness. The African Forum and Network on Debt and Development (AFRODAD) recently commissioned studies on four countries in the region.[6] The results show that some progress has been made in Africa in implementing the international aid effectiveness agenda. Perhaps, the most important contribution of the Paris Declaration has been stimulating debate on aid effectiveness in both the donor and recipient countries. It has also strengthened accountability, not only between government and citizens, but also, more importantly between donors and aid recipients. However, a number of challenges remain in the implementation of the Paris Declaration.

With respect to *ownership,* the studies show that African countries have taken actions to strengthen leadership and ownership of their development policies. Most countries have developed or are in the process of developing comprehensive national development framework with clear strategic priorities linked to their Medium Term Expenditure Frameworks and national budgets. Some countries have already operationalized their development framework as in the case of Kenya, Mozambique and Ghana while Malawi is finalizing its Growth and Development Strategy (MGDS). In some countries, the Poverty Reduction Strategies (PRS) continue to serve as an operational policy framework for donor support to partner countries. Although all the countries have made efforts to consult other stakeholders in the elaboration of national development strategies, there is a concern in a number of countries, including Kenya, Mozambique and Ghana that such consultations tended to be ad hoc. Thus, there is a need for instituting mechanisms for broader engagement of other stakeholders, including the NGOs, private sector, trade unions etc.

Some countries such as Kenya have taken effective leadership for coordinating aid and introducing more harmonized and aligned system at national or sector levels, while others such as Malawi have not exercised effective leadership in guiding donors and encouraging harmonization. For example, the Kenyan government has set up

6 AFRODAD commissioned four studies in Ghana, Kenya, Malawi and Mozambique to assess the implementation of the Paris Declaration on Aid Management and Donor harmonization.

a formal structure for harmonization and dialogue—the Harmonisation, Coordination and Alignment Group (HAC), which bring together 18 donor countries and the government.[7] The Group is responsible for monitoring donor coordination, alignment and harmonization work as well as formulating and implementing partnership document and joint country assistance strategy. A key conclusion emerging from the four case studies is that government ownership and leadership of development policies left much to be desired.

In the area of *alignment*, the studies show that, although some progress has been made in aligning donor support to partner country's national development framework, progress in aligning donor support to partner country institutions and processes remained lacklustre. Almost all the countries reported that most of the donors continue to channel most of their support to government outside the budget systems. In the case of Malawi for example, the study shows that only 22 per cent of donor aid was disbursed in programme form with the lion's share provided in project form. However, a number of donors such as DFID, USAID and Sweden have increased their share of budget support in their total aid allocation. For example, 95 per cent of DFID support to Malawi for the financial year 2002/2003 went to the government. However, most of the French and German support is channelled outside the government budget. The high concentration of donor support in project finance limits government flexibility in the use of funds and perverts development priority.

Apart from the high proportion of project finance in total donor support, budget planning and implementation of development projects is undermined by high unpredictability of aid flows. Although predictability of aid flows has improved for a number of countries, notably Mozambique, it remains a serious problem for others such as Kenya, Malawi and Ghana. The gap between commitments and actual disbursement is extremely high for Kenya. The main reason for late disbursal is government failure to meet policy-related conditionalities.

Most of the countries, with the exception of Mozambique indicated that progress in aligning donor support to partners' public financial management and procurement systems is weak. Most donors do not have confidence in the partner country's public financial management and procurement system. Although donor confidence in Malawi's PFM and procurement system has improved since 2004, donors considered Kenya's PFM and procurement system as weak, unaccountable and non-transparent. Public sector reforms undertaken in Malawi and Kenya have had a limited impact in improving their PFMs.

The study on Mozambique however reveals that there has been considerable progress in aligning donor support with the planning, budgetary, reporting and auditing procedures of the government. Some countries, including Malawi and Ghana indicated that some donors were reluctant to use national systems as this might raise concern over accountability and corruption.

With respect to *harmonization*, the four case studies show mixed results. In some countries such as Kenya, donor shows strong willingness for harmonisation, including joint missions, joint analytical work and joint donor-government assessment of technical capacity building. Progress has also been made towards harmonization at the sector level through sector-wide approaches in the health, water and sanitation. The existence of a formal government structure for harmonisation such as HAC in Kenya has proved useful in strengthening harmonization at the country level. In some countries, donors' perceived loss of visibility as result of moving toward joint actions and fewer stand-alone projects may be hindering efforts at harmonization. In some countries such as Malawi and Mozambique, multiple and overlapping processes, missions and reviews and meetings continue to be the norm rather the exception. The study found, for example, that only 16 per cent of missions and 17 per cent and analytical work in Malawi were jointly implemented.

On *managing for results*, the studies show that capacity constraints, both human and financial, continue to hamper efforts at managing for results. African countries are yet to move towards a full result-oriented culture. The monitoring and evaluation systems are weak and fragmented. Although donor countries have undertaken commitments to support partner countries in strengthening their monitoring and evaluation systems, progress in this area remains limited. Due to weak national M&E systems, donors continue to rely on their own moni-

7 See http//www.hackenya.org

toring and evaluation system. This is having an unintended effect of further undermining the development of a robust national monitoring and evaluation systems.

With respect to *mutual accountability*, the studies reveal that although African countries have made substantial progress in strengthening their accountability to donor countries, they have made limited progress in strengthening accountability to their domestic constituencies, including parliaments, civil society organizations etc. This undermines genuine ownership of the development process.

Innovative sources of financing

The Monterrey Consensus recognizes the fact that ODA would not be enough to finance development in poor countries. It therefore calls for the search and development of new and innovative sources of financing. This call has been answered by the international community and some progress has been made, especially in the health sector. The key instruments that have been developed in this area are: the International Financing Facility for Immunization; the Aviation Levy; and the Advance Market Commitment.

- International Finance Facility for Immunization (IFFIm): was launched in 2006 with the objective of front-loading future aid commitments by borrowing from the international capital markets. It ensures that resources from aid pledges are made available in a timely manner for investment in health prevention and development programmes. It is a variant of the idea for an International finance facility put forward by the UK government in the 2005 report of the Commission for Africa. Currently, the project is supported by France, Italy, Norway, Spain, Sweden, the UK and South Africa. IFFIm provides funds for the Global Alliance for Vaccines and Immunization (GAVI) and has raised US$1 billion already. It is expected that the activities funded through the programme will prevent five million child deaths between 2006 and 2015 by raising US$4 billion.
- Aviation Levy: the use of an aviation tax to generate resources for development gathered support after France launched its air ticket levy on 1 July 2006 to raise resources to combat HIV/AIDS, Malaria and Tuberculosis. Most of the resources are channelled through the international drugs purchase facility (UNITAID). It is expected that UNITAID will raise about US$300 million in 2007. Thirty four countries, including eighteen in Africa, have either joined or committed to join UNITAID.
- Advance Market Commitment (AMC): was launched in February 2007 to create an incentive for pharmaceutical companies to develop vaccines for disease common in developing countries. It requires donors to make advanced commitments to buy vaccines that are to be developed at a predetermined price. The first phase of the project focuses on pneumococcal vaccines and is supported by Italy, Canada and the UK. It is expected that the second AMC would focus on malaria vaccines.

While these initiatives are welcome there is the urgent need to introduce them in other sectors so as maximize their impact on poverty reduction in Africa. For example, they could cover sectors such as education and infrastructure with very strong links to export capacity as well as competitiveness and have the potential for contributing to poverty reduction.

7. External debt and sustainability

Addressing Africa's debt problem has been a major challenge for policymakers in the region as well as the international community. High external debt can stifle growth through its negative impact on investment. When a country has high external debt, private investors expect the government to increase taxes in the future in order to service the debt. Consequently, it reduces the incentives for the private sector to invest, makes it difficult for a country to obtain new loans, and slows growth. Pattillo, Poirson and Ricci (2002) found that external debt has a negative effect on growth after a critical threshold for debt is reached. In particular, they found that external debt stifles growth when the Net Present Value of debt is greater than 160% of exports and 35-40% of GDP. The Heavily Indebted Poor Countries (HIPC) initiative of 1996 and the enhanced HIPC initiative of 1999 are two key attempts made by the international community, before the adoption of the Monterrey Consensus, to deal with the problem of high external debt facing developing countries. Currently, in the Africa region eight countries are at the pre-decision point, seven are at the decision point and eighteen have reached the completion point (Table 9).

Table 9: Status of HIPC eligible African countries

Pre-decision point (8 countries)	Decision point (7 countries)	Completion point (18 countries)
Central African Republic, Comoros, Cote D'Ivoire, Eritrea, Liberia, Somalia, Sudan, Togo	Burundi, Chad, Democratic Republic of Congo, Republic of Congo, Gambia, Guinea, Guinea-Bissau.	Benin, Burkina Faso, Cameroon, Ethiopia, Ghana, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Tanzania, Uganda, Zambia, Sao Tome and Principe

While the HIPC initiatives were welcomed by African countries, they have always expressed concerns about its implementation as well as its ability to provide a long-term solution to their external debt problems. This view is also shared by development partners as well as civil society groups. One of the problems with the HIPC initiatives is that the criteria used to measure debt sustainability and the approaches used to predict debt dynamics do not take appropriate account of country-specific circumstances (World Bank, 2006). In addition, a key concern of the African region has been the slow progress of several countries towards decision and completion points in the HIPC programme. There are also concerns that debt relief has not led to an increase in net transfer of resources because more often than not it has been a substitute for, rather than an addition to, other sources of aid flows.

As a result of the limitations of the HIPC programme, the G8 countries at the 2005 Gleneagles Summit, made another effort to follow through on their Monterrey Consensus commitments on external debt by introducing the Multilateral Debt Relief Initiative (MDRI) aimed at cancelling all debts owed by HIPC countries to the IMF, IDA, and the African Development Bank. It is still too early to assess the overall and long-term impact of this initiative. However, there are signs that the external debt situation in the region has improved in recent years.

In the pre-Monterrey period the total external debt of Africa, on an average annual basis, was US$274 billion. In the post-Monterrey period it increased to US$293 billion. It fell to US$244 billion in 2006 and is expected to fall further in 2007. For SSA, external debt increased from US$ 217 billion in the pre-Monterrey period to US$240 billion in the post-Monterrey period. Since 2006 there has been modest progress. External debt fell to US$202 billion in 2006 and is expected to decline to US$201 billion in 2007, mainly due to the major debt relief operation effected in the last two years (Table 8).

In the Africa region total debt as a percentage of exports of goods and services, an indicator of debt sustainability, declined from 212% in the pre-Monterrey period to 142% in the post-Monterrey period. In 2006 it declined to a record rate of 69% and is estimated to decline further to 65% in 2007. Based on this indicator, significant progress has also been made in SSA. Total debt as a percentage of exports declined from 229% in pre-Monterrey period to 159% in the post-Monterrey period. For 2006 the figure is 79% and is estimated to reach 74% in 2007. Debt in general is considered unsustainable if the ratio of net present value of debt to exports exceeds 150% (World Bank, 2006)[8].

With respect to total debt as a percentage of GDP, another measure of debt sustainability, it declined from a rate of 62.4% in the pre-Monterrey period to 48% in the post-Monterrey period. In 2006 it reached 26.2% and is expected to decline further to 23.1% in 2007. The trend for Sub-Saharan Africa is similar. Total debt as a percentage of GDP declined from 64% in the pre-Monterrey period to 48% in the post-Monterrey period. In 2006 this figure was 28% and is expected to fall to 24% in 2007. It is interesting to note that Africa's total debt service increased from US$26 billion in the pre-Monterrey period to US$28 billion in the post-Monterrey. However, as a percentage of GDP, the region's debt service ratio improved in the post-Monterrey period. Similar conclusion emerges from data for Sub-Saharan Africa (Table 10). Regarding country experiences, 36 African countries experienced a reduction in the debt-GDP ratio in post-Monterrey period, of which significant reductions ware recorded in countries such as Angola, Democratic Republic of Congo, Gambia, Guinea-Bissau, Mauritania, Mozambique, Sao Tome and Principe, Sudan, and Zambia. A significant increase in debt ratios were also recorded for countries such as Burundi, Eritrea, Liberia, and Zimbabwe.

Overall, in the post-Monterrey period African countries made significant progress in reducing the burden of external debt. Most of the recent decline in the external debt of Africa is due to the implementation of the Multilateral Debt Relief Initiative (MDRI) introduced in 2005. It is also a consequence of the recent dramatic debt relief received by Nigeria and the improvement in the growth performance of several countries in the region. The recent expansion in the volume of exports and the rise in the price of key commodities exported by Africa also contributed to the recent performance.

Table 10: Africa's external debt profile

AFRICA	Pre-Monterrey (1998-2001)	Post-Monterrey (2002-2005)	2006	2007
Total debt (billions of dollars)	274.3	293.3	244.1	243.2
Total debt (% of total exports)	212	142	69	65
Total debt (% of GDP)	62.425	47.85	26.2	23.1
Total debt service (billions of dollars)	26.175	27.725	37.7	31.3
Total debt service (% of GDP)	5.95	4.375	4.1	3
Total debt service, interest (billions of dollars)	11.45	8.825	9.4	10.1
Total debt service, interest (% of GDP)	2.6	1.425	1	1
SUB-SAHARAN AFRICA				
Total debt (billions of dollars)	217.4	240.4	202.1	200.9
Total debt (% of total exports)	229	159	79	74
Total debt (% of GDP)	64.0	48.0	28.1	24.4
Total debt service (billions of dollars)	16.5	17.6	22.9	23.6
Total debt service (% of GDP)	4.925	3.625	3.2	2.9
Total debt service, interest (billions of dollars)	6.375	5.525	5.8	6.8
Total debt service, interest (% of GDP)	1.925	1.15	0.8	0.8

♥ *IMF (2007a)*

8 For countries that are highly dependent on trade, an alternative measure of debt sustainability is debt as a percentage of total government revenue (excluding grants), which has a cut-off threshold of 200% to be unsustainable.

Despite the progress that has been made since the Monterrey Consensus, there are serious concerns to be addressed to ensure that heavily indebted African countries derive more benefits from debt relief initiatives and find a long-lasting solution to their external debt problems. The key objective of debt relief initiatives such as HIPC and recently MDRI is the attainment of sustainable debt, faster growth and poverty reduction. It is premised on the general belief that excessive debt accumulation hampers long term economic growth. When debt is accumulated excessively and a country is in a difficult position of repayment, then, debt service tends to offset returns from previous debt invested in the domestic economy, and by this chain of events also discourages future domestic and foreign investment (see e.g. Clements et al, 2005)[9]. Debt relief therefore is essential to reverse the deleterious effects of debt overhang.

African countries are also concerned that in recent years debt ratios are beginning to deteriorate in several post-completion point countries. To accelerate progress in the area of external debt there is the need to increase creditor participation in the HIPC programme. In particular, non-OECD countries have to be brought on board. There is also the need to reduce the incidence of lawsuits by non-Paris Club creditors. The rising importance of China and India and other non-Paris Club creditors as sources of concessional loans for poor African countries has increased the risk of further debt accumulation especially since these new creditors have more flexible loan disbursement criteria. The trend in the debt management performance of low-income countries has been deteriorating as debt service worsened and debt management capacity deteriorated, even among countries that have reached post-completion-point (World Bank, 2006). Thus, there is the need for more efforts to be made to sensitize African countries about the danger of accumulation of unsustainable debt.

There is concern in some countries that resources freed through debt relief are spent on public service delivery and social services with very little allocated to the productive sectors of the economy that assist long-term growth and poverty reduction. While investment in the social sectors should be encouraged because of their link to poverty reduction, it should not lead to the neglect of productive sectors of the economy. Finally, debt relief alone is not sufficient to ensure long-term debt sustainability in African countries. Other policy actions aimed at reducing external shocks, particularly those that affect export performance, as well as repayment capacity should be explored. In addition, debt relief initiatives should not focus only on the problems of existing HIPCs. Several non-HIPC countries are also facing challenges in dealing with their debt problems and would benefit from increased resource transfers.

9 The effect of debt overhang on long-term growth has been a subject of empirical investigation with inconclusive findings (see Dijkstra and Hermes, 2001 for a review of the literature). Studies based exclusively on low-income countries however found some evidence of debt accumulation after a certain threshold dampening long-term growth (e.g. Pattillo, et al 2004; Clements et al, 2005)

8. Systemic issues

The Monterrey Consensus emphasized the need for the international monetary, financial and trading systems to complement national development efforts. In this regard, it called for an improvement in global economic governance of international institutions as well as policy and programme coordination by these institutions. At the national level, it called for more coordination among relevant ministries and institutions to enhance coherence in policy design and formulation and ensure that policies have the desired impact on their economies.

One of the key issues for African countries in this area is how to increase their voice in the decision-making processes of international organizations such as the International Monetary Fund (IMF), the World Bank, the Bank for International Settlements, and the World Trade Organization (WTO). Despite its size in terms of population and the number of countries, the African region has been so far excluded from, or insufficiently represented in international organizations that make decisions on issues that have serious consequences for their economies. Addressing this inequity was one of the objectives of the Monterrey Consensus.

Since the Monterrey Consensus was adopted, effort has been made to enhance the participation of African countries in decisions made by the World Trade Organization. For example, at the Fifth Ministerial Conference held in Cancun in 2003, and the Sixth Ministerial Conference held in Hong Kong in 2005, several African Trade Ministers were selected as facilitators in key areas of the negotiations and participated in "Green Room" meetings were critical decisions on trade negotiations are made. This is a new and welcome development, although more needs to be done in this area. The African WTO Geneva Group has emerged as an important player in the Doha Round negotiations. It has helped African countries protect their interest and increase their bargaining power in the negotiations. With regards to the IMF and the World Bank, there has been no significant attempt to increase the voice of African countries in decision-making. At the 2006 IMF Annual Meetings in Singapore an ad hoc quota increase was approved for China, Korea, Mexico and Turkey. This has further reduced the relative share of African countries and hence their voice and influence in decision making at the Fund. At the moment, voting power in the IMF Executive Board is skewed in favour of rich nations. Sub-Saharan Africa accounts for about 25 percent of IMF Membership but has a voting power of just 4.4 percent. Clearly, the global governance of international organizations is an area where efforts need to be scaled-up if the laudable objectives of the Monterrey Consensus are to be met in the region.

There is also the need for policy coherence at the national level. In several African countries, there is often lack of policy coordination among the institutions responsible for formulating economic and development policies (i.e. ministry of finance and economic development; central bank; and national planning bodies), and the lack of coordination among these institutions and Ministries dealing with sectoral issues undermine policy effectiveness and reduce the impact of policy on development. Equally important are the policies and practices of donor countries. If their policies are to contribute meaningfully to the attainment of MDGs in developing countries it is absolutely necessary that donors' policies across a range of areas, including ODA, trade and market access, finance and debt, migration, agriculture etc be consistent with the MDGs and other internationally agreed development goals.

Other systemic issues of interest to African countries, where there is need for more progress, include: the management of commodity price risks as well as vulnerability to external shocks; prevention and management of currency and banking crises; and ensuring that countries facing severe economic crises have better access to credit.

9. The way forward

Africa's overall economic performance has improved since the adoption of the Monterrey Consensus in 2002. However, this has not translated into progress in the ultimate objective of poverty reduction. Africa, particularly SSA, is still the region with the highest percentage of people in extreme poverty and deprivation. The 2007 Report on the MDGs published by the United Nations indicates that countries in the region have not made sufficient progress in reducing poverty. The report stresses that if African countries are to meet the MDG target of halving poverty by 2015, they have to double and scale up their recent successes.

The implementation of the Monterrey Consensus is vital to accelerating progress in meeting the MDGs in Africa. Available evidence indicates that significant progress has been made in the area of debt relief and sustainability. In other areas of the Consensus, progress remains very limited. This has serious consequences for growth and poverty reduction in Africa. There is therefore the need for both Africa and its development partners to accelerate their efforts to ensure that the objectives of the Consensus are achieved in the region in the near-term. This requires specific actions in each of the six core areas of the Consensus.

Domestic resource mobilization

African countries need to recognize that domestic resource mobilization is the most reliable and sustainable source of development finance. Thus, they need to take concrete actions to boost savings and reduce or eliminate domestic capital flight. They also have to exploit the development potential of thriving microfinance institutions in mobilizing savings and channelling it into productive investment. Their role as effective instruments of employment creation and income generation to the poorest population in Asia and some parts of Africa has been widely documented. Thus, micro-finance institutions can be efficient vehicles for a pro-poor growth strategy, particularly in transforming the agricultural sector in rural areas and the informal sector in urban areas. Capital market development will also play an important role in the mobilization and intermediation of domestic savings in the region. Regional integration of capital markets should also be explored as an effective way to boost stock market development in the region. The small size of existing capital markets in the region precludes realization of economies of scale. Regionalization of capital markets will increase the liquidity of capital markets and provide a larger pool of investment resources for national and regional development. It should be noted, however, that national measures to enhance domestic savings are also affected by developments in the multilateral trading system. To the extent that trade liberalization erodes the fiscal base of national economies, it has serious implications for domestic resource mobilization. African countries should therefore ensure that trade reforms are accompanied by fiscal policy changes that would off-set any potential loss of revenue from trade taxes. In this regard, a gradual rather than rapid sequencing of trade reforms should be preferred.

International resource mobilization

African countries need a coherent and comprehensive policy aimed at attracting foreign capital to complement domestic resources and external aid. The competition for foreign capital has become intense as a result of increasing globalization of trade and finance. Consequently, countries in the region will have to improve their investment environment and develop their infrastructure if they are to reverse their low, declining or stagnant share in global private capital flows. As indicated earlier, FDI is the most reliable source of private capital flows available to the region. But countries have to be selective in the choice of FDI. They must ensure that they seek and attract FDI in sectors that have high value-added, have high potential for employment creation, and do not have any negative impact on the environment. Efforts should also be made to ensure that domestic investors are not discriminated against in the drive to attract private capital flows. In addition, investment policies should be liberalized and harmonized within the region to encourage cross-border investment between countries.

important as a source of finance to Africa. Yet, African governments have not made any coherent efforts to harness the potential of this source of finance for development. At the national level, governments in the region should increase and improve access to financial services to make it easier for people to use the banking system and other formal channels to receive remittances from abroad. At the international level, development partners should take actions to reduce the transactions costs of remitting money to developing countries. In this regard, the recent promise by G8 countries, at the Heiligendamm Summit, to take measures to enhance the effectiveness of remittances of Diaspora Africans is welcome.

Trade as an engine of development

Development partners should create a trading environment that allows the region to unlock its export potential. They should offer duty and quota free access to exports of African countries. They should also provide more stable and adequate funding for trade capacity building programmes for African countries. Progress in the implementation of Aid-for-Trade initiative is vital especially for low-income African countries to design trade policies appropriate to local conditions. On the part of African countries, there is the need to remove obstacles to export promotion such as poor infrastructure and lengthy customs procedures that increase transactions costs. They should also diversify their production and export structure to reduce vulnerability to external shocks and increase their share of benefits from trade.

ODA flow

Most countries in Africa will continue to rely on the flow of ODA to finance much needed investment projects to meet the globally agreed development goals. The quantity as well as the quality of ODA flow will remain an agenda of utmost importance in the next couple of years. Africa's development partners must scale up efforts to meet their pledges on aid quantity and quality. They should also live up to their promise to untie aid flows and make them more predictable. More efforts should also be made to enhance aid effectiveness. In this regard, there is the need for: division of labour among donors to reduce the transactions costs of managing and delivering aid; decentralization of decision making by donors to field staff; increased use of country systems in aid delivery and management; and more accountability to local stakeholders. In addition, more donors should support the new and innovative sources of financing such as the international finance facility for immunization, the air ticket levy, and the advance market commitment.

Debt relief

Significant progress has been made on debt relief in the last two years. However there is the need to extend eligibility for current debt relief programmes to non-HIPC African countries. It is also important to reduce the number of years it takes for countries to move from decision to completion points in the HIPC programme. African countries should also put in place a mechanism to ensure that loans from new creditors do not lead to a new cycle of indebtedness. In this regard, the use of existing Debt Sustainability Frameworks (DSF) as a guide for assessing risks associated with new loans would be appropriate. Furthermore, more attention should be given to the issue of domestic debt since it is equally a threat to the achievement of sustained economic growth in several African countries.

Systemic issues

The international community should begin to take more seriously the issue of increasing the voice of African countries in decision making bodies of international institutions. This will prove to be a very good way of making international institutions more democratic and sensitive to the needs and concerns of poor countries. The WTO is already making good efforts in this area and we hope that they will continue in this spirit. The IMF and the World Bank should follow the same path and take more proactive measures to increase the voting power of African countries. For it is through a democratic process that guarantees proper and adequate representation that that they can win the trust and confidence of African countries and make progress in effectively integrating them into the global economy.

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Table A1: Domestic Savings (% of GDP)

	Pre-Monterrey (1998-2001)	Post-Monterrey (2002-2005)
Algeria	36	47
Angola	24	25
Benin	6	6
Botswana	47	50
Burkina Faso	8	4
Burundi	-6	-11
Cameroon	20	19
Cape Verde	-16	-16
Central African Republic	9	10
Chad	4	29
Comoros	-4	-7
Congo	4	5
Congo. Democratic Republic	46	50
Cote d Ivoire	20	21
Djibouti	-3	6
Egypt. Arab Rep.	13	15
Equatorial Guinea	20	..
Eritrea	-34	-45
Ethiopia	10	6
Gabon	38	45
Ghana	11	10
Gambia The	7	7
Guinea	17	8
Guinea-Bissau	-10	-4
Kenya	10	12
Lesotho	-23	-13
Liberia	-3	-1
Libya	21	25
Madagascar	9	8
Malawi	4	-10
Mali	11	11
Mauritania	25	23
Mauritius	..	..
Morocco	18	19
Mozambique	11	12
Namibia	14	24
Niger	4	6
Nigeria	29	34
Rwanda	0	1
Sao Tome and Principe	-13	-19
Senegal	11	8
Seychelles	22	17
Sierra Leone	-8	-6
Somalia	..	..
South Africa	19	19
Sudan	10	15
Swaziland	2	16
Tanzania	5	10
Togo	1	4
Tunisia	24	21
Uganda	7	7
Zambia	7	18
Zimbabwe	15	6
North Africa	**21.0**	**25.0**
Sub-Saharan Africa	**17.8**	**20.0**
Africa	**19.0**	**22.0**

Source: WDI (2007)

Table A2: Government revenue, excluding grants, in Sub-Saharan Africa

	Pre-Monterrey (1997-2001)	Post-Monterrey (2002-2005)	2006	2007
Angola	42.6	39.1	46.6	37.3
Benin	15	16.6	16.7	16.9
Botswana	39.5	38.0	39.2	38.1
Burkina Faso	12.3	12.1	12.4	13.1
Burundi	17.2	20.4	19.1	19.7
Cameroon	14.3	16.2	17.6	17.4
Cape Verde	20.3	23.1	27.1	24.3
Central African Republic	14.9	11.9	12.9	15.1
Chad	7.7	8.0	16.2	25.9
Comoros	12.2	15.8	14.2	15.4
Congo, Dem. Rep. of	5.4	9.2	13.2	13.2
Congo. Rep. Of	26.9	32.0	49.7	36
Cote d'Ivore	17.7	17.4	18	19.2
Equatorial Guinea	22.3	31.2	34.2	35.7
Eritrea	32.7	30.3	28.3	28.4
Ethiopia	14.9	16.4	16.9	17.4
Gabon	32.7	30.8	33.6	32.1
Gambia, The	17.8	18.2	21.6	21.3
Ghana	17.6	21.6	21.6	22.7
Guinea	11.1	11.4	13.9	12.6
Guinea-Bissau	8.5	16.3	19.8	16.5
Kenya	20.3	20.4	20.6	21.7
Lesotho	43.2	46.5	49.9	47.7
Liberia	n.a.	13.5	8.6	7.7
Madagascar	10.6	10.3	11.4	11.4
Malawi	16.9	22.1	24.3	24.1
Mali	13.5	16.9	17.2	16.8
Maurituis	19.6	17.3	19.9	19.3
Mozambique	12	13.0	14.4	14.9
Namibia	32.4	30.7	34.9	36.6
Niger	8.9	10.4	11.3	12
Nigeria	20	24.7	27.7	29
Rwanda	10.4	13.7	15.4	15
Sao Tome and Principe	14.4	44.5	33.7	62.7
Seirra Leone	8.9	12.2	11.8	13.2
Senegal	16.2	18.5	19.7	19.9
South Africa	23.5	24.0	26.5	27.7
Swaziland	28.6	28.7	35.7	35.8
Sycheiles	42.5	47.5	50.9	49.7
Tanzania	11.2	11.7	13.3	13.8
Togo	13.9	15.5	16.1	16.6
Uganda	11.3	12.5	13.2	13.6
Zambia	19	17.9	16.9	17.6
Zimbabwe	25	30.1	43.3	40.1
Sub-Saharan Africa	**21.2**	**22.7**	**26.2**	**26.5**

Source: IMF (2007a)

Table A3: Foreign Direct Investment, net inflows (in millions of current US $)

	Pre-Monterrey (1998-2001)	Post-Monterrey (2002-2005)
Algeria	612	916
Angola	1652	1331
Benin	49	49
Botswana	53	373
Burkina Faso	11	19
Burundi	3	0
Cameroon	108	210
Cape Verde	26	26
Central African Republic	4	1
Chad	156	705
Comoros	0	1
Congo, Dem. Rep.	199	383
Congo, Rep.	204	342
Cote d'Ivoire	303	232
Djibouti	4	20
Egypt, Arab Rep.	972	1878
Equatorial Guinea	399	1320
Eritrea	68	11
Ethiopia	204	383
Gabon	-35	204
Gambia, The	38	43
Ghana	167	110
Guinea	23	77
Guinea-Bissau	2	5
Kenya	35	44
Lesotho	166	104
Liberia	119	194
Libya	..	..
Madagascar	63	16
Malawi	29	3
Mali	54	159
Mauritania	33	113
Mauritius	75	37
Morocco	95	1183
Mozambique	247	259
Namibia	..	..
Niger	8	14
Nigeria	1097	1942
Rwanda	5	6
Sao Tome and Principe	4	2
Senegal	80	65
Seychelles	49	57
Sierra Leone	12	35
Somalia	0	11
South Africa	2573	2119
Sudan	427	1470
Swaziland	93	21
Tanzania	405	475
Togo	45	37
Tunisia	552	663
Uganda	166	217
Zambia	138	188
Zimbabwe	133	35
North Africa	**2200**	**4700**
Sub-Saharan Africa	**9723**	**13400**
Africa	**11923**	**18100**

Source: *WDI (2007)*

Table A4: Net FDI inflow (% of GDP)

	Pre-Monterrey (1998-2001)	Post-Monterrey (2002-2005)
Algeria	1	1
Angola	22	7
Benin	2	1
Botswana	1	4
Burkina Faso	0	0
Burundi	0	0
Cameroon	1	1
Cape Verde	5	3
Central African Republic	0	0
Chad	10	20
Comoros	0	0
Congo, Dem. Rep.	4	6
Congo, Rep.	8	9
Cote d'Ivoire	3	2
Djibouti	1	3
Egypt, Arab Rep.	1	2
Equatorial Guinea	37	46
Eritrea	10	2
Ethiopia	3	4
Gabon	-1	3
Gambia, The	9	11
Ghana	3	1
Guinea	1	2
Guinea-Bissau	1	2
Kenya	0	0
Lesotho	19	9
Liberia	25	38
Libya	..	..
Madagascar	2	0
Malawi	2	0
Mali	2	4
Mauritania	3	8
Mauritius	2	1
Morocco	0	3
Mozambique	6	5
Namibia	..	..
Niger	0	0
Nigeria	3	3
Rwanda	0	0
Sao Tome and Principe	8	4
Senegal	2	1
Seychelles	8	8
Sierra Leone	2	3
Somalia	..	..
South Africa	2	1
Sudan	4	7
Swaziland	7	1
Tanzania	5	4
Togo	3	2
Tunisia	3	3
Uganda	3	3
Zambia	4	4
Zimbabwe	2	0
North Africa Average	**2.1**	**2.4**
Sub-Saharan Africa Average	**2.9**	**2.8**
Africa Average	**1.0**	**1.7**

***Source**: WDI (2007)*

Table A5: Share of exports (% of GDP)

	Pre-Monterrey (1998-2001)	Post-Monterrey (2002-2005)
Algeria	32	40
Angola	77	72
Benin	16	14
Botswana	50	48
Burkina Faso	10	9
Burundi	8	8
Cameroon	24	21
Cape Verde	24	32
Central African Republic	13	12
Chad	17	37
Comoros	14	14
Congo, Dem. Rep.	24	27
Congo, Rep.	77	81
Cote d'Ivoire	41	49
Djibouti	38	38
Egypt, Arab Rep.	16	25
Equatorial Guinea	102	..
Eritrea	15	14
Ethiopia	13	15
Gabon	47	60
Gambia, The	45	44
Ghana	40	40
Guinea	24	23
Guinea-Bissau	25	33
Kenya	21	26
Lesotho	31	52
Liberia	23	30
Libya	27	48
Madagascar	26	24
Malawi	29	26
Mali	28	27
Mauritania	42	32
Mauritius	64	58
Morocco	31	34
Mozambique	19	30
Namibia	46	48
Niger	17	16
Nigeria	42	50
Rwanda	7	9
Sao Tome and Principe	33	38
Senegal	30	29
Seychelles	71	96
Sierra Leone	16	21
Somalia	..	..
South Africa	27	29
Sudan	10	16
Swaziland	81	91
Tanzania	14	18
Togo	30	34
Tunisia	44	46
Uganda	11	13
Zambia	24	20
Zimbabwe	37	30
North Africa	**26**	**31**
Sub-Saharan Africa	**31**	**34**
Africa	**29**	**33**

Source: *WDI (2007)*

Table A6: Real growth in exports of goods and services

	Pre-Monterrey (1998-2001)	Post-Monterrey (2002-2005)
Angola	..	..
Algeria	2.7	5.6
Benin	3.4	2.5
Botswana	4.5	5.3
Burkina Faso	6.3	6.9
Burundi	..	..
Cameroon	4.7	0.8
Cape Verde	13.7	11.6
Central African Republic	..	..
Chad	-1.7	77.4
Comoros	-0.5	-2.2
Congo, Dem. Rep.	18.0	9.3
Congo, Rep.	2.0	7.4
Cote d'Ivoire	-0.1	4.7
Djibouti	0.4	2.8
Egypt, Arab Rep.	3.2	13.5
Equatorial Guinea	19.5	..
Eritrea	-0.2	-10.6
Ethiopia	8.6	15.7
Gabon	-3.5	0.9
Gambia, The	3.6	10.7
Ghana	5.8	5.4
Guinea	6.7	0.2
Guinea-Bissau	13.9	4.1
Kenya	3.2	7.2
Lesotho	15.8	7.3
Liberia	..	..
Libya	..	..
Madagascar	9.0	1.1
Malawi	2.8	3.7
Mali	10.3	6.3
Mauritania	1.0	-0.8
Mauritius	4.9	1.3
Morocco	6.1	4.9
Mozambique	23.1	14.8
Namibia	0.2	8.4
Niger	3.3	..
Nigeria	1.4	5.5
Rwanda	26.2	3.1
Sao Tome and Principe	22.6	..
Senegal	6.8	2.5
Seychelles	9.3	9.1
Sierra Leone	..	..
Somalia	..	..
South Africa	4.0	2.5
Sudan	49.1	12.3
Swaziland	8.1	0.8
Tanzania	8.7	0.4
Togo	1.5	5.2
Tunisia	6.5	1.8
Uganda	4.6	7.5
Zambia	6.1	10.4
Zimbabwe	7.4	-7.7
North Africa	**3.8**	**5.7**
SSA	**3.7**	**4.1**
Africa	**3.7**	**4.9**

Source*: WDI (2007)*

Table A7: Official development assistance (in millions of current US$)

	Pre-Monterrey (1998-2001)	Post-Monterrey (2002-2005)
Algeria	246	312
Angola	327	623
Benin	232	311
Botswana	57	46
Burkina Faso	381	563
Burundi	93	281
Cameroon	450	685
Cape Verde	109	134
Central African Republic	95	79
Chad	168	294
Comoros	26	27
Congo, Dem. Rep.	170	2561
Congo, Rep.	79	423
Cote d'Ivoire	484	400
Djibouti	71	75
Egypt, Arab Rep.	1529	1151
Equatorial Guinea	19	27
Eritrea	193	291
Ethiopia	773	1662
Gabon	28	39
Gambia, The	44	62
Ghana	638	1022
Guinea	258	238
Guinea-Bissau	72	90
Kenya	424	586
Lesotho	46	83
Liberia	68	152
Libya	8	13
Madagascar	384	771
Malawi	433	493
Mali	353	567
Mauritania	215	238
Mauritius	31	20
Morocco	536	596
Mozambique	913	1442
Namibia	155	144
Niger	236	453
Nigeria	174	1904
Rwanda	336	438
Sao Tome and Principe	32	32
Senegal	468	659
Seychelles	17	12
Sierra Leone	176	340
Somalia	111	200
South Africa	493	619
Sudan	213	944
Swaziland	27	31
Tanzania	1069	1550
Togo	78	64
Tunisia	250	317
Uganda	711	1020
Zambia	529	825
Zimbabwe	211	235
North Africa Total	**2641**	**2464**
Sub-Saharan Africa Total	**13739**	**25605**
Africa Total	**16379**	**28069**

Source: *WDI (2007)*

Table A8: Net ODA flows (% of GNI)

	Pre-Monterrey (1998-2001)	Post-Monterrey (2002-2005)
Algeria	1	0
Angola	6	4
Benin	10	8
Botswana	1	1
Burkina Faso	14	13
Burundi	13	43
Cameroon	5	5
Cape Verde	20	16
Central African Republic	9	6
Chad	11	10
Comoros	12	9
Congo, Dem. Rep.	4	44
Congo, Rep.	5	11
Cote d'Ivoire	4	3
Djibouti	13	11
Egypt, Arab Rep.	2	1
Equatorial Guinea	4	..
Eritrea	28	43
Ethiopia	10	19
Gabon	1	1
Gambia, The	11	16
Ghana	11	12
Guinea	8	7
Guinea-Bissau	37	38
Kenya	3	4
Lesotho	4	6
Liberia	19	37
Libya	..	..
Madagascar	10	17
Malawi	25	26
Mali	14	13
Mauritania	19	16
Mauritius	1	0
Morocco	2	1
Mozambique	25	30
Namibia	5	3
Niger	12	16
Nigeria	0	2
Rwanda	18	24
Sao Tome and Principe	77	55
Senegal	10	10
Seychelles	3	2
Sierra Leone	25	34
Somalia	..	..
South Africa	0	0
Sudan	2	5
Swaziland	2	2
Tanzania	12	14
Togo	5	3
Tunisia	1	1
Uganda	12	15
Zambia	17	17
Zimbabwe	3	5
North Africa	**4**	**3**
Sub-Saharan Africa	**12**	**15**
Africa	**10**	**12**

***Source**: WDI (2007)*

Table A9: Total External debt (millions of current US$)

	Pre-Monterrey (1998-2001)	Post-Monterrey (2002-2005)
Angola	9731	9628
Benin	1647	1859
Botswana	472	496
Burkina Faso	1491	1844
Burundi	1110	1313
Cameroon	9382	8665
Cape Verde	315	491
Central African Republic	877	1050
Chad	1129	1562
Comoros	240	292
Congo, Dem. Rep.	12116	10837
Congo, Rep.	4861	5828
Cote d'Ivoire	12944	11613
Equatorial Guinea	266	284
Eritrea	282	652
Ethiopia	6775	6675
Gabon	3938	3847
Gambia, The	474	639
Ghana	6297	7085
Guinea	3428	3411
Guinea-Bissau	843	726
Kenya	6241	6531
Lesotho	660	704
Liberia	2094	2547
Madagascar	4493	4180
Malawi	2618	3139
Mali	3073	3058
Mauritania	2391	2292
Mauritius	1787	2205
Mozambique	6934	4993
Namibia	..	..
Niger	1647	1948
Nigeria	30455	31309
Rwanda	1270	1538
Sao Tome and Principe	306	347
Senegal	3808	4018
Seychelles	279	486
Sierra Leone	1282	1613
Somalia	2591	2781
South Africa	24393	27995
Sudan	16478	18382
Swaziland	317	436
Tanzania	7035	7350
Togo	1455	1705
Uganda	3662	4455
Zambia	6130	6584
Zimbabwe	4084	4352
Algeria	26629	21351
Djibouti	272	396
Egypt, Arab Rep.	30501	31447
Libya	..	..
Morocco	21635	17949
Tunisia	11711	17885
North Africa Total	**56900**	**52900**
Sub-Saharan Africa Total	**217402**	**223746**
Africa Total	**274300**	**293300**

Source: *WDI (2007)*

Table A10: Total external debt (% of GDP)

	Pre-Monterrey (1998-2001)	Post-Monterrey (2002-2005)
Algeria	52	29
Angola	133	55
Benin	70	52
Botswana	8	6
Burkina Faso	54	43
Burundi	146	198
Cameroon	99	63
Cape Verde	57	60
Central African Republic	87	86
Chad	72	49
Comoros	112	90
Congo, Dem. Rep.	246	176
Congo, Rep.	196	149
Cote d'Ivoire	112	83
Djibouti	50	61
Egypt, Arab Rep.	33	37
Equatorial Guinea	33	10
Eritrea	42	95
Ethiopia	87	76
Gabon	86	60
Gambia, The	112	161
Ghana	103	89
Guinea	104	97
Guinea-Bissau	398	294
Kenya	47	43
Lesotho	77	66
Liberia	454	506
Libya	..	..
Madagascar	114	87
Malawi	150	164
Mali	120	70
Mauritania	207	162
Mauritius	41	40
Morocco	62	41
Mozambique	180	96
Namibia	..	..
Niger	84	70
Nigeria	78	50
Rwanda	69	84
Sao Tome and Principe	673	569
Senegal	83	62
Seychelles	45	70
Sierra Leone	186	155
Somalia	..	..
South Africa	19	16
Sudan	139	94
Swaziland	24	22
Tanzania	80	68
Togo	100	92
Tunisia	59	70
Uganda	61	66
Zambia	186	137
Zimbabwe	59	76
North Africa	**51.2**	**47.0**
Sub-Saharan Africa	**64.0**	**51.0**
Africa Average	**62.0**	**48.0**

Source: *WDI (2007)*

Table A11: Tax revenue as a % of GDP for African countries

	Pre-Monterrey (1998-2001)	Post-Monterrey (2002-2005)
Algeria	30	31
Angola	..	..
Benin	..	15
Botswana	..	..
Burkina Faso	..	12
Burundi	14	..
Cameroon	12	..
Cape Verde	..	..
Central African Republic	..	6
Chad	..	..
Comoros	..	..
Congo, Dem. Rep.	4	6
Congo, Rep.	9	8
Cote d'Ivoire	15	15
Djibouti	..	..
Egypt, Arab Rep.	15	14
Equatorial Guinea	..	..
Eritrea	..	..
Ethiopia	..	11
Gabon	..	..
Gambia, The	..	..
Ghana	17	20
Guinea	11	..
Guinea-Bissau	..	..
Kenya	16	17
Lesotho	34	38
Liberia	..	..
Libya	..	..
Madagascar	53	48
Malawi	..	..
Mali	..	..
Mauritania	..	..
Mauritius	17	17
Morocco	..	23
Mozambique	..	..
Namibia	30	27
Niger	..	..
Nigeria	..	..
Rwanda	..	..
Sao Tome and Principe	..	..
Senegal	17	..
Seychelles	26	33
Sierra Leone	9	11
Somalia	..	..
South Africa	24	25
Sudan	6	..
Swaziland	..	26
Tanzania	..	..
Togo	..	14
Tunisia	21	21
Uganda	11	12
Zambia	18	..
Zimbabwe	..	..
North Africa	**19.7**	**20.0**
Sub-Saharan Africa	**18.2**	**19.0**
Africa	**21.3**	**21.0**

Source: *WDI (2007)*