

Section 1 : Mobilising Resources

Focus Issue 1 : Finance for Development in Africa



Focus Issue 2 : Investment



Focus Issue 3 : Africa and International Trade



FOCUS ISSUE 1: FINANCE FOR DEVELOPMENT IN AFRICA

WHAT COMMITMENTS AND TARGETS HAVE BEEN AGREED?

Africa:

- ◆ NEPAD's founding statement in 2001 identified domestic savings and improvements in public revenue collection as key resources to be supplemented by official development assistance, debt relief and private capital flows. The statement further underlined that improved governance is a prerequisite for increased capital flows.

International Community:

- ◆ At Monterrey in March 2002, the international community agreed substantial new commitments of development assistance, expected to increase Official Development Assistance (ODA) by a total of US\$ 12 billion per year by 2006. In the same year, the G8 re-confirmed at Kananaskis the ODA commitments which had been made in Monterrey and pledged to improve aid effectiveness, reduce the burden of aid management, and to assist eligible countries through the Heavy Indebted Poor Countries (HIPC) debt relief initiative;
- Substantial further commitments were made in 2005. The EU pledged to nearly double its ODA between 2004 and 2010, from €34.5 billion to €67 billion (equivalent to US\$85 billion in 2005 prices), with at least 50% of the increase going to sub-Saharan Africa. At the subsequent G8 Summit in Gleneagles, G8 leaders stated that the commitments of the G8 and other donors would lead to an increase in ODA to Africa of US\$ 25 billion a year by 2010, more than doubling aid to Africa compared to 2004. Each G8 country specified individual goals for increasing development assistance, and what proportion or amount of this increase would go to sub-Saharan Africa. At the same Summit, the G8 endorsed a proposal to cancel 100% of outstanding debts of all post-completion-point HIPC to the IMF, IDA and the African Development Fund. The Gleneagles communiqué also included reference to innovative financing mechanisms as a way of helping to deliver the finance needed to achieve the MDGs.

WHAT HAS BEEN DONE TO DELIVER ON THESE COMMITMENTS?

Africa:

- Domestic revenue is by far the largest and most stable resource for development, and increased from an average of 21% to over 26% of GDP between 2001 and 2006, for sub-Saharan Africa as a whole, reaching a total of US\$ 185 billion, representing nearly 6 times the volume of net ODA. Both resource-rich and other countries have achieved high revenue collection, and while higher commodity prices account for most of the increase in the former group, for the others most of the improvement can be attributed to more effective tax administration. However the picture remains varied – and a quarter of governments in sub-Saharan Africa still collect less than 15% of GDP in domestic revenue.
- But in spite of stronger public revenue mobilisation, overall domestic savings remain low. For low-income countries in sub-Saharan Africa, the domestic savings rate has hardly moved at about 11% of GDP. A third of sub-Saharan countries have savings rates below 5%. Sub-Saharan Africa's low saving rates contrast sharply with the significantly higher saving rates of other developing regions including North Africa.

International Community:

- Sixteen of the DAC's 21 member countries which had agreed on targets before or during Monterrey reached them in 2006. Major steps forward were achieved on debt relief. Reflecting this progress, ODA to sub-Saharan Africa tripled between 2000 and 2006 to over US\$ 37 billion, though much of this increase was accounted for by debt relief. Excluding debt relief, ODA flows to SSA have remained basically flat since 2003. As debt relief falls back to historical averages over the period to 2010, other development assistance will need to rise by US \$6-7 billion per year in order to achieve the figure of US\$ 50 billion mentioned above.
- While donors participating in the OECD's Development Assistance Committee will continue to be a major source of finance, the importance of non-traditional donors is also growing. In addition to ODA, new forms of taxation and securitised borrowing such as the air ticket levy and the International Finance Facility for Immunisation, as well as the growing role of global private aid funds, further increase available external resources.

Private Capital Flows:

- FDI inflows to Africa rose 20% to US\$ 36 billion in 2006 – a new record level, with North Africa accounting for two-thirds of the total. But all regions of the continent experienced increases in FDI inflows. The surge was in large part related to investments in extractive industries, but FDI also rose in various service industries. Other private capital flows also increased sharply in 2006 to over US\$25 billion in 2006. Total private flows excluding remittances exceeded US\$60 billion. Although as personal flows, remittances cannot be considered development resources, they are a potential source of finance. Estimates put 2006 remittances at US\$ 22 billion for Africa, of which US\$ 9 billion is for sub-Saharan Africa. Given that between a half to two-thirds of remittances to Africa use informal channels, actual figures would be significantly higher if these unrecorded flows through informal channels could be included. There are important regional variations: North Africa and South Africa rely almost exclusively on private flows in recent years and receive more than half of total remittances to Africa.

WHAT HAVE THE RESULTS BEEN?

- The combination of an improved policy framework, strong overall world growth that benefited African exports and additional finance explain a turn-around in economic performance. For the third year in a row, sub-Saharan Africa's real GDP growth exceeded 5%, and is projected to reach 6% in 2007. This economic expansion is strongest in oil exporters, but cuts across all country groups: even fragile countries are expected to grow at over 5%.
- Reflecting this economic growth, the proportion of people in sub-Saharan Africa living on less than US\$1 a day fell from nearly 47% in 1990 to 41% in 2004. The number of people living on less than US\$ 1 a day is also beginning to level off despite rapid population growth. But the rate of decline is not sufficient to help meet the MDG target of halving the poverty rate. Progress towards other MDGs has been more mixed. Africa has made significant progress towards universal primary enrolment. Child hunger and child mortality rates have both declined since 1990, though slowly: however the under-5 mortality rate in sub-Saharan Africa is double that of any other region, and deaths from HIV/AIDS are also far higher. It remains clear that accelerated progress towards the MDGs is needed, and that this has to be based on sustained economic growth.

WHAT ARE THE KEY PRIORITIES?

Action by Africa:

- Continue efforts to increase domestic resource mobilisation, in particular in countries where the ratio of revenue to GDP remains below 15%.
- Continue efforts to improve the investment climate, in order to attract both domestic and foreign investors.
- Further develop financial intermediation to help generate larger domestic savings.

Response by the international community:

- Deliver commitment to provide an additional US\$ 25 billion a year in development assistance to Africa by 2010, in a predictable manner to enable partner countries to plan effectively.
- Improve aid effectiveness and reduce transactions costs on partner countries by working with them to implement the Paris Declaration on Aid Effectiveness and by developing enhanced collaboration with emerging donors.
- Help to reduce the transaction costs of remittances, including through the forthcoming high-level meeting in Berlin in November 2007 (as agreed at the Heiligendamm Summit in June 2007).

I. Monitoring issues: the context

NEPAD Founding Statement (2001)

1. With the inception of the New Partnership for Africa's Development in 2001, African leaders pledged to accelerate growth in order to reduce the proportion of Africans living in poverty by the year 2015. NEPAD's founding statement appropriately identified domestic savings and improvements in public revenue collection as key resources to be supplemented by official development assistance, debt relief and private capital flows. The statement further underlined that improved governance is a prerequisite for increased capital flows.

Monterrey and related G8 events (2002)

2. The Monterrey Conference on Financing for Development has become the major reference point for international development cooperation. Making clear links between good governance, sound policies, aid effectiveness and development success, donors and recipients agreed to revitalise efforts to help unlock all development resources including official development assistance. In support of this international consensus, new commitments were made to increase ODA by a total of US\$12 billion per year by 2006. At Kananaskis in 2002, the G8 launched the Africa Action Plan, inaugurating a new partnership between the G8 and Africa designed to encourage the initiative taken by African States in adopting NEPAD. The G8 reconfirmed the ODA commitments made in Monterrey and pledged to improve aid effectiveness, reduce the burden of aid management, and annually review progress towards the MDGs. They reiterated their 2001 commitment in the context of the OECD-DAC to untie aid to the Least Developed Countries to ensure that export credits to low-income countries are not used for unproductive purposes. The G8 also committed to assist countries through the Heavily Indebted Poor Countries (HIPC) debt relief initiative.

Further Commitments in 2005

3. Substantial further commitments were made in 2005. First, the EU member countries as a group pledged to reach 0.7% of ODA/GNI by 2015 with an interim collective target of 0.56% in 2010 and nearly double its ODA from €34.5 billion to €67 billion (equivalent to US\$ 87 billion at 2005 exchange rates) with at least half of the increase going to Africa. At the subsequent G8 meeting in Gleneagles, G8 leaders stated that the commitments of the G8 and other donors would lead to a doubling of official development assistance to Africa to US\$ 50 billion a year¹ by 2010 compared to the 2004 level, and individual G8 countries submitted specific aid commitments in support of Africa. The G8 stressed that these extra resources would be directed to countries where the additional aid would make a difference in accelerating progress towards the achievement of the MDGs. In addition to budgeted development assistance, the Gleneagles Communiqué also noted that a group of countries believed that innovative financing mechanisms could provide additional resources to help cover the financing needed to achieve the MDGs.

4. In addition to raising ODA, the G8 also agreed to cancel 100 percent of outstanding debts of eligible Heavily Indebted Poor Countries (HIPC) to the IMF, IDA and the African Development Fund, and to provide additional resources to ensure that the financing capacity of the international financial institutions would not be reduced by the loss of reflows expected from principal repayments on the forgiven debt.

St. Petersburg and Heiligendamm

5. Subsequent G8 meetings in St Petersburg in 2006 and at Heiligendamm in 2007 reaffirmed earlier commitments by G8 countries regarding development assistance to Africa and pledged support for ensuring

¹ The 2010 target is set in real 2004 prices and exchange rates.

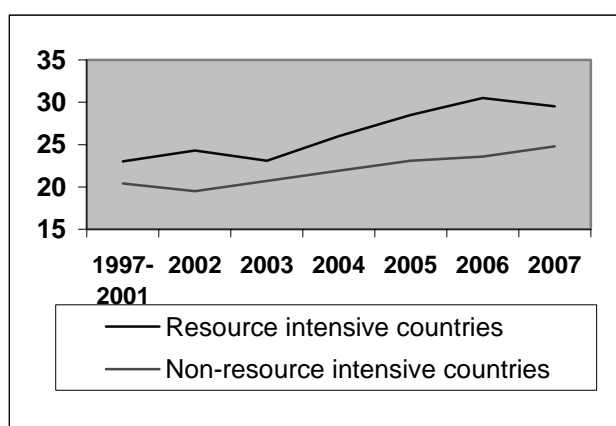
100% cancellation of multilateral debt under the Multilateral Debt Relief Initiative (MDRI) for 33 African countries, 18 of which have now received this relief.

II. Monitoring domestic revenue efforts

2.1 Domestic revenue mobilisation

6. Raising the ambition on poverty reduction strategies will require, besides significant increases in external resources as discussed below, continued effort to generate and channel domestic revenue in African countries. After remaining basically unchanged between the early 1990s and early 2000s, total government revenue as a share of GDP has been steadily improving in most African countries. As shown in Figure 2.1, domestic revenue — defined as tax and non-tax revenues excluding grants — increased by over 5 percentage points of GDP between 2001 and 2006, reaching an average of over 26% in 2006 for sub-Saharan Africa as a whole². Both resource-rich and other countries achieved higher revenue collection and, while higher commodity prices have accounted for the improved performance of resource-rich countries, most of the improvement in other African countries can be attributed to more effective tax administration.

Figure 2.1: Government Revenue (Excl. Grants) (Percent of GDP)



Source: Using data from IMF, Regional Economic Outlook: sub-Saharan Africa, October 2007

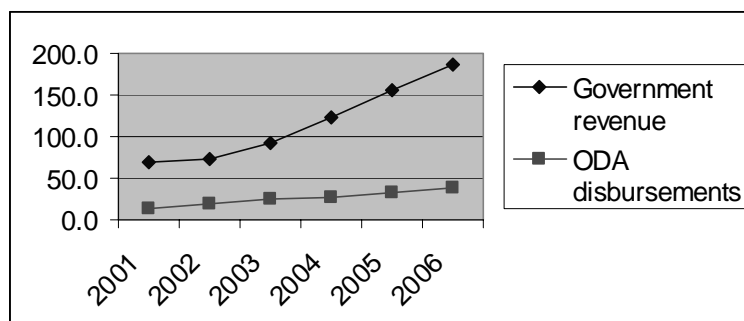
7. In recent years, the discussion on financing development and MDG-based targets has tended to focus attention on external resources – while neglecting the vital role of domestic revenue. Mobilising domestic revenue has usually been referred to as either i) a means of covering recurrent expenditures or ii) a long-term option allowing developing countries to eventually become less dependent on aid. Low or stagnant growth in the 1980s and part of the 1990s, declining import taxes following trade liberalisation and efforts to downsize governments in many African countries have all doubtless contributed to the limited focus on the role of domestic revenue. Yet Africa’s improved performance in this area has enabled it to double its revenue collection to US\$ 185 billion in 2006 -- nearly five times the volume of net ODA in the same year. North Africa where domestic revenue exceeds 20% in all countries generates approximately US\$ 60 billion of domestic resources.

8. The tax base in most sub-Saharan African countries continues to shift away from trade taxes as their principal revenue source, although the pace of this shift has slowed in recent years. The declining reliance on trade tax revenues has been the product of trade liberalization policies, most of which were initiated in the 1990s. Further trade liberalization, for instance in the context of the Economic Partnership Arrangements being negotiated by the European Union and ACP countries, will thus intensify the need to enhance domestic taxes

² The analysis is based on the IMF World Economic Outlook (2007) – Africa Region.

and improve the management of trade tax exemptions. This will often involve strengthening the indirect tax system, including the Value Added Tax (VAT). Presently, 34 SSA countries and all North African countries except Libya have adopted the VAT at an unweighted average rate of 16%.

Figure 2.2: Trends in Government Revenue and ODA Disbursements in sub-Saharan Africa (US\$ billion)



Source: Using data from IMF, Regional Economic Outlook: sub-Saharan Africa, October 2007 and OECD-DAC database

2.2 Domestic savings

9. The previous section discusses Africa's positive performance in domestic public revenue collection. But with the exception of resource-rich countries and a few other countries, overall savings remain very low. As shown in Table 2.3, most of the increase in the domestic saving rates in recent years reflects the performance of resource-rich countries, thanks to buoyant prices of crude oil and other primary commodities. For non-resource-intensive countries, the overall domestic saving rate has hardly moved in spite of important progress in public revenue mobilisation. Fourteen SSA countries have savings rates below 5%. Sub-Saharan Africa's low saving rates contrast sharply with the significantly higher saving rates of other developing regions including North Africa.

Table 2.3: Gross Domestic Savings (% of GDP)

	1997-2002	2003-06
Sub-Saharan Africa	18.4	22.7
- Resource intensive countries	27.2	36.1
- Non-resource intensive countries	14.3	14.6
Low-income countries	(11.0)	(10.4)
Middle-income countries	(19.4)	(19.4)

Source: IMF, World Economic Outlook – Africa (October 2007)

10. A more detailed decomposition of the individual components of overall savings will be necessary for a better understanding of low domestic savings rates. In the context of generally higher growth performance, a much improved macroeconomic environment throughout most of Africa and larger flows of remittances, Africa's poor savings performance raises the fundamental question of the role of the financial sector in helping to mobilise resources for long-term growth. Strengthening and deepening the banking sector as well as enhancing competition are some of the more evident steps. Tapping the resources of pension and social security funds and, over time, developing securities markets is another alternative to generate long-term finance. Lastly, more should be learned from the experience of bundling financial services like savings products and business loans for remittance-receiving households as a way to increase resources for investment.

2.3 Assessment and remaining challenges

11. In spite of broad-based improvement in revenue collection, one-fourth of SSA governments still collect public revenues totalling less than 15% of GDP, a level considered as a minimum needed to cover the state's basic functions. West Africa as a sub-region collects lower domestic revenue compared to the other regions of Africa. 40% of African countries, including the oil-rich nations, North Africa, Southern Cone countries and a few others, are collecting revenues of more than 20% of their GDP (Figure 2.3), with the North African economies averaging above 30%. It is also worth noting that no African country is currently collecting less than 10% of GDP in taxes, in stark contrast to 2003-04 when seven SSA countries, most of them emerging from conflict, collected between 7 and 10% of GDP in revenue. Lastly, the sharp and simultaneous increases in both domestic revenue and development assistance in the past five years suggests that larger aid flows does not necessarily lead to weaker effort in raising domestic revenue. Of course, more in-depth analysis would be needed to confirm this preliminary conclusion.

12. The success of several countries in Africa in raising domestic revenue, boosted in part by strong commodity prices, underscores the importance of and progress made in strengthening tax administration. Sustaining and extending this effort should be an area of greater policy focus by African states and development partners.

Figure 2.3: Tax Revenue as a Share of GDP
(Average 2005-06, percent)

12 countries	13 countries	24 countries	
<ul style="list-style-type: none"> - Burkina Faso - Central African Republic - Chad - Congo, Dem. Rep. - Guinea - Liberia - Madagascar - Mozambique - Níger - Sierra Leone - Tanzania - Uganda 	<ul style="list-style-type: none"> - Benin - Burundi - Cameroon - Cote d'Ivoire - Comoros - Ethiopia - Guinea Bissau - Mali - Mauritius - Rwanda - Senegal - Togo - Zambia 	<ul style="list-style-type: none"> - Algeria - Angola - Botswana - Cape Verde - Congo, Rep. off - Egypt - Equatorial Guinea - Eritrea - Gabon - Gambia - Ghana - Kenya 	<ul style="list-style-type: none"> - Lesotho - Libya - Malawi - Morocco - Namibia - Nigeria - Sao Tomé e Príncipe - Seychelles - South Africa - Swaziland - Tunisia - Zimbabwe
10 to 15% of GDP	15 to 20% of GDP	More than 20% of GDP	

Source: IMF World Economic Outlook – Africa (April 2007)

III. Monitoring development assistance

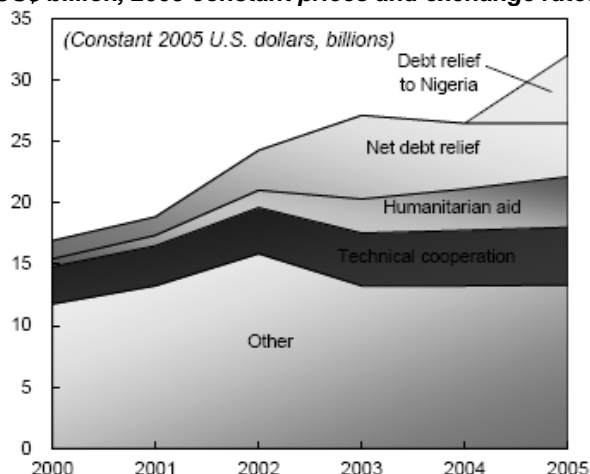
3.1 Progress on delivering ODA to Africa

13. From a record level of US\$ 106.8 billion in 2005, total development assistance as reported by the OECD-DAC fell back to US\$ 103.9 billion in 2006, based on preliminary data. The fall was, however, predicted given the exceptional debt relief provided to Iraq and Nigeria in 2005. Excluding debt relief, which declined from US\$ 24 billion in 2005 to about US\$ 19 billion in 2006, total ODA fell by 1.8% in real terms in 2006. Eleven of the fifteen EU members that committed to reach an ODA/GNI ratio of at least 0.3% in 2006 succeeded in doing so. Other EU countries were also generally on track to meet their commitments³.

³ The combined ODA of the fifteen DAC-EU members rose by 2.7% to \$59 billion, equivalent to 0.43% of their combined GNI, surpassing the EU collective ODA/GNI target of 0.39%. Net aid disbursements by the U.S., Japan and Canada fell in 2006 mostly due to lower debt relief and also to exceptionally large humanitarian relief for the Indian Ocean tsunami.

Excluding debt relief, aid to sub-Saharan Africa increased by 2% in 2006. The prominence of debt relief is evident during 2001-05 (see Figure 3.1 and Table 3.1). While net ODA to sub-Saharan Africa more than doubled between 1999 and 2006, close to 70% of the increase was accounted for by debt relief. Given that debt relief and humanitarian aid are likely to fall back to their historical averages in the next few years, other components of ODA -- especially core development programs -- will have to increase very sharply in the next several years for the G8 and other development partners to fulfil their 2010 pledges.

Figure 3.1: Evolution of Net ODA to Sub-Saharan Africa (US\$ billion, 2005 constant prices and exchange rates)



Source: IMF, Regional Economic Outlook – sub-Saharan Africa World Bank Global Monitoring Report 2007, based on OECD-DAC database.

Table 3.1: ODA to Africa (US\$ billion, net disbursements in nominal terms)

	2000	2001	2002	2003	2004	2005	2006
South of Sahara^{a/}	13.6	13.9	19.0	24.6 ^b	26.3	32.6 ^c	37.7
North of Sahara^{a/}	1.9	2.5	2.4	2.2	3.1	2.6	3.0
Total Africa	15.5	16.4	21.4	26.8	29.4	35.2	40.7

Source: "Geographical Distribution of Financial Flows by Aid Recipients, 2001-2005", OECD 2007

Notes: a/ These figures include amounts that were unspecified in the OECD-DAC database. b/ The outturn in 2003 was heavily determined by the US\$4.5 billion of debt relief to the Democratic Republic of Congo under the HIPC initiative. c/ Of which US\$5 billion for Nigeria's debt relief.

3.2 Progress on scaling up aid to Africa

14. Aid prospects for the next three years will depend on whether development partners are making plans to raise aid disbursements. For lack of detailed information, the following discussion on future aid flows is, at best, exploratory. Given its large share in total ODA and, more particularly, in the additional volume of aid projected in the next few years, the performance of European Union (EU) countries will play an important role in reaching agreed targets. In 2006, aid disbursements by the 15 DAC EU members (EU-15) reached 0.43% of their combined GNI, largely surpassing the 0.39% goal set for the year. Under the leadership of the European Commission, EU members will finalise individual road maps that outline how they intend to meet their 2010 aid targets. These would include a review of aid structures and modalities to accelerate aid disbursements, such as common European instruments that emerge from the European Consensus on Development. One must, however, note that performance among EU members on delivering ODA commitments is uneven and some key EU members will need to sharply increase aid disbursements in 2008-10.

15. As part of a collective effort led by the OECD-DAC to advance scaling up of aid to Africa, the DAC has been surveying its members' planned future aid flows by country. The first survey – carried out in 2006 -- provided incomplete information, making it difficult to ascertain any substantial aid scale-up. A follow-up survey has just been launched and results are expected to be available in time for the DAC's Senior-Level Meeting in early December 2007. Of the 23 DAC members, 17 have a multi-year framework with indicative financial envelopes for their priority partner countries⁴. It is too early, however, to assess on the basis of this preliminary work the extent of progress regarding scaling up efforts.

16. A series of discussions launched in the aftermath of Gleneagles revealed several challenges to establishing effective processes for scaling up aid flows. Preliminary conclusions point to the need for action on both sides of the aid relationship. Scaling up requires that recipient countries have: i) a country-led and results-oriented development strategy that sets out clear goals, priorities, policies and programs to achieve them; ii) a sound macroeconomic framework; and iii) a capable institutional framework to support the implementation of the country strategy. A recent World Bank analysis shows progress in all three areas. Development partners must, for their part, help countries in this process through better aid alignment and harmonization mechanisms. The linking of ambitious country-owned strategies and results frameworks, known as the Results, Resources and Partnership (RRP) process — somewhat akin to an expanded Consultative Group meeting process -- is a promising way of facilitating the scaling-up of aid within a country-based development model. The Resources and Results Meeting for Ghana provided a good illustration of approaches to scale up programs in energy, transport and other infrastructure. Work being undertaken by the World Bank and UNDP confirms that opportunities for quick scaling-up exist in several African countries, including Burkina Faso, Mozambique, Rwanda and Tanzania and in specific sectors as in the case of Ghana⁵. But for this country-level process to take hold, more donor buy-in will be needed.

3.3 Progress on innovative financing

17. Several innovative financing mechanisms involving new forms of taxation and securitised borrowing have been developed to finance development projects, in particular in the health sector. The International Finance Facility for Immunisation (IFFIm) was launched in November 2006 and helped raise US\$ 1 billion through the issuance of five-year bonds in international capital markets to accelerate contributions to the Global Alliance for Vaccines and Immunisation (GAVI). Backed by six donors—France, Italy, Norway, Spain, Sweden and the United Kingdom—the bonds will be repaid in 20 years. The plan is to raise US\$ 4 billion over the next 10 years.

18. Levies on air tickets were launched in France in July 2006 with 90 percent of the funds raised earmarked for the International Drugs Purchase Facility (UNITAID). Norway, the United Kingdom and The Republic of Korea are considering joining this initiative, which could yield as much as US\$ 1 billion per year with France contributing US\$ 250 million per year. In February 2007, Canada, Italy, Norway, Russia, the United Kingdom together with the Gates Foundation launched the first Advanced Market Commitment (AMC) of US\$ 1.5 billion to help develop pneumococcal vaccines. There are plans to launch a similar initiative for malaria vaccines. The AMC is not expected to increase aid flows to poor countries, but brings together public and private development partners in helping these countries reach the MDGs.

⁴ This information is collected from public information available on the web and remains to be vetted by the various development partners.

⁵ This is consistent with the Gleneagles focus on helping countries where the additional aid will make a difference in accelerating progress towards the achievement of the MDGs.

3.4 New aid partners

19. New donors⁶ have become much more active in Africa, but information about the magnitude of the aid they provide is incomplete and difficult to quantify given that development co-operation from China and India is often delivered as part of a larger package involving foreign direct investments, export credits and other project financing at commercial or near commercial terms. China's "Africa Policy," introduced in January 2006, aims to support economic development in Africa — among other objectives — through a number of channels, including economic assistance and debt relief (Government of China, 2006). The Chinese government provides concessional loans and grants to developing countries directly and indirectly through the Export-Import Bank of China. The total amount of concessional loans and grants provided by China is not reported in a comprehensive or uniform manner and estimates vary considerably.

20. In recent years non-traditional financiers have taken an increasingly active role in financing and constructing infrastructure projects in sub-Saharan Africa. Chinese financing has exploded in the past three years with the preponderant role of China Export-Import Bank working with other Chinese state-owned firms. Most of the investments are in minerals-rich countries. Since 2001, China has committed over US\$ 5 billion for transport in Africa and future commitments are expected to reach over US\$ 20 billion over the next three years for all infrastructure. Arab partners, working mainly in road projects with co-financing from China and AfDB together with India, provided US\$ 600 million to transport infrastructure in 2006. The development assistance component of these resource transfers is a small percentage of total resources provided⁷.

21. Fifteen non-DAC countries report their aid activities to the DAC. From about US\$ 1 billion per year in the late 1990s, net ODA disbursements provided by these new donors reached US\$ 4.2 billion in 2005. The Republic of Korea and Turkey — both DAC observers — have mobilised large increases of development aid. Arab countries and funds are also significant ODA providers, but their share in total official development assistance to sub-Saharan Africa has fallen. In contrast, based on recent public announcements, development assistance by Arab countries to North Africa and in particular, Algeria and Tunisia, is projected to be significantly scaled up.

3.5 Assessment and remaining challenges

22. On current trends, achieving the doubling of official aid to Africa by 2010 as pledged by the G8 at Gleneagles will require that ODA to sub-Saharan Africa by all OECD-DAC countries rise by US\$ 6 to US\$ 7 billion per year -- excluding debt relief. On-going initiatives such as the RRP process could provide a framework for expanded aid funding to well-performing SSA countries. Information being collected by the OECD-DAC forward-planning survey could shed light on the scale and allocation of future aid flows to specific recipient countries. Other new financing mechanisms are providing substantial additional resources for development. Although the Advanced Market Commitments for vaccines development will not increase aid flows to developing countries, they may play a significant role in helping countries meet the MDG health targets.

⁶ One can conveniently distinguish "new" donors in three main groups: i) OECD countries which are not members of the DAC (Korea, Turkey, Mexico and several European countries) and new EU members which are not members of the OECD; ii) Middle East and OPEC countries and funds; and iii) a more disparate group of non-OECD, non-EU donors, among which figure two "heavyweights", China and India.

⁷ According to a recent IMF Staff Paper, China's development assistance was estimated at \$2 billion in 2005.

IV. Monitoring debt relief

4.1 Progress in implementing the HIPC and MDRI initiatives

23. Major progress has been achieved since Gleneagles in extending and deepening debt relief to African developing countries. Substantial progress has been made in the implementation of the HIPC Initiative. Twenty-five African HIPCs have reached the decision point and are receiving debt relief. Liberia, one of the seven HIPCs that have yet to reach decision point — when debt relief will kick in — is on the verge of doing so following recent donor support to help clear its arrears with the IMF. Three African countries reached their HIPC completion point in 2006 when debt relief under HIPC becomes irrevocable.

24. The Multilateral Debt Relief Initiative (MDRI) was implemented at the beginning of 2006 by the IMF and in mid-2006 at IDA and the AfDF (with debt relief provided retroactively to the beginning of 2006). Under the MDRI, the African Development Fund, IDA, and the IMF have agreed to provide 100% debt relief on their eligible claims to countries that reach the completion point under the Highly Indebted Poor Countries (HIPC) Initiative. To date, 22 post-completion point HIPCs — of which 18 are in sub-Saharan Africa -- have benefited from debt relief under this new initiative, which amounts to about US\$ 37 billion in debt service payments over the lifetime of the MDRI. The remaining HIPCs will automatically qualify for the MDRI once they reach their completion points.

25. The HIPC and MDRI debt relief initiative are projected to substantially lower debt and debt service ratios for qualifying countries. The net present value (NPV) of debt stocks in the 30 HIPCs that reached the decision point are projected to decline by about two-thirds once they reach their respective completion points and by about 90% after the application of the MDRI (Figure 4.1). The ratio of debt service to exports for these countries is estimated to have declined from an average of about 17% in 1998–99 to about 7% in 2005. These ratios are estimated to decline further to about 4% in 2006 (Figure 4.2)

Figure 4.1 Reduction of Debt Stock (Net Present Value terms) for HIPC Decision-Point Countries
(US billion in end-2006 NPV terms)

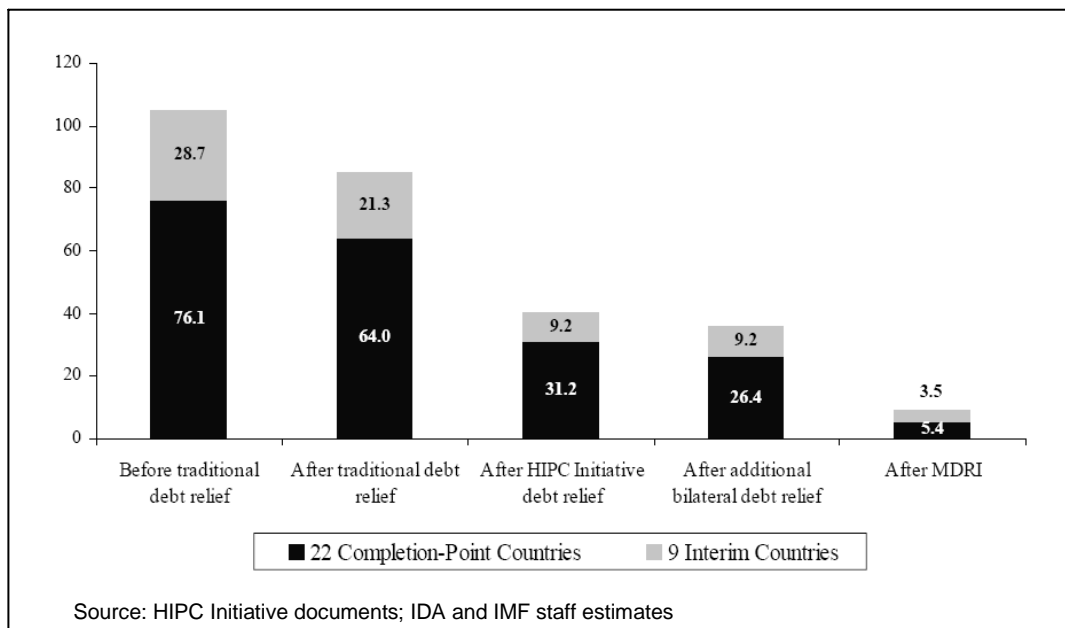
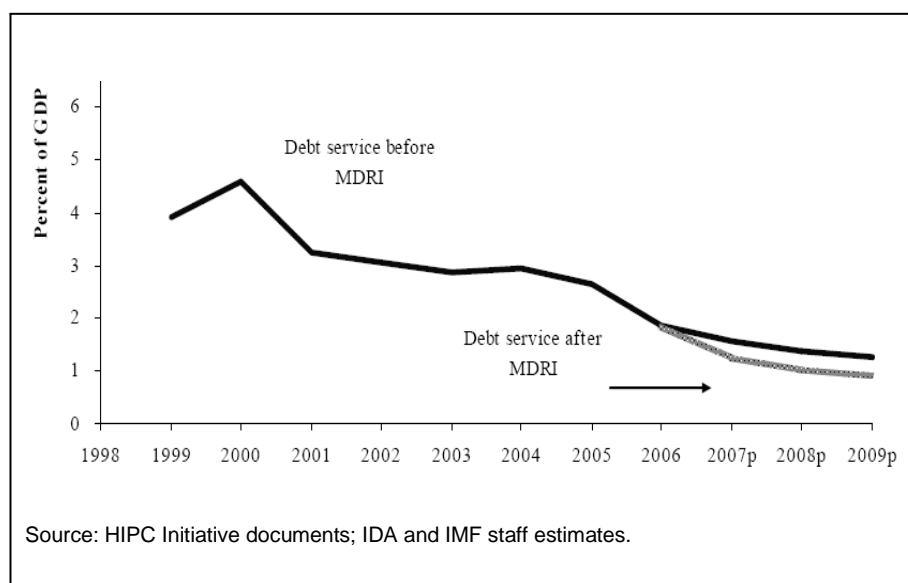


Figure 4.2 Average Debt-service of Post-Decision Point HIPCs (%)



4.2 Issues of debt sustainability

26. The challenge for countries receiving HIPC and MDRI debt relief is to ensure that new borrowings from emerging official and private creditors and from domestic sources do not lead to renewed debt built-up, potentially jeopardising these countries' newly-restored capacity for borrowing to finance development. The application of the debt sustainability framework by both low-income countries and their creditors can help mitigate these risks, while ensuring that access to resources for development is not unnecessarily constrained. Improving the quality and availability of data on both external and domestic debt will be essential to ensure proper monitoring and assessment of debt and associated risks.

4.3 Compensatory financing (Gap) for IDA and African Development Fund

27. While the IMF finances the MDRI using its own resources (drawing on an estimated US\$ 4.5 billion raised from the 1999-2000 off-market sales of the Fund's gold holdings), MDRI debt relief provided by IDA and the African Development Fund is financed through bilateral contributions, which fill the gap created by the loss of reflows to these two institutions due to debt relief. For the period 2006 to 2016, IDA and the AfDB will need about US\$ 10 billion to cover lost debt service payments from MDRI relief. Pledges issued by bilateral donors to date only amount to US\$ 4 billion or less. Over the entire period of the MDRI, which ends in 2044 for IDA and 2054 for the AfDB, total lost reflows will be much larger. Shortfalls in necessary compensatory finance will lead to uncertainty regarding future concessional financing by these two institutions to Africa and other low-income countries. This could have a major impact on support for development priorities given the role of multilateral lending in Africa: for example, IDA and the AfDB, together with the European Investment Bank, provided two-thirds of the funding for infrastructure projects in sub-Saharan Africa over the period 2005-06.

4.4 Assessment and remaining challenges

28. With the recent clearance of Liberia's arrears to the IMF, good progress is being made regarding both the HIPC and MDRI initiatives. The other six pre-decision point countries—Comoros, Côte d'Ivoire, Eritrea, Somalia, Sudan and Togo—are either in a conflict or post-conflict situation or lack a clear development strategy. The unfunded compensatory financing described above therefore remains the important remaining

challenge that demands resolution to avoid undermining the capacity of IDA and AfDF to finance development in Africa.

V. Monitoring aid effectiveness

5.1 The Paris agenda

29. Enhancing aid effectiveness through harmonization and alignment is an essential complement to efforts to increase aid flows. The international effort on aid effectiveness has been gaining momentum since 2005 when over 100 donors and recipients endorsed the Paris Declaration, which provides a detailed framework of commitments and targets to achieve concrete results regarding improved ownership, alignment, harmonization, managing for results, and mutual accountability. At the country level, a growing number of nations including Burkina Faso, Ghana, Mozambique, Tanzania, Uganda and Vietnam (the sole non-African country in the top six) are taking actions and making substantive progress across a broad range of commitment areas.

30. Nevertheless, the first round of monitoring of Paris Declaration commitments shows that there is still a long way to go. In 2006 a baseline survey was undertaken in 34 developing countries. Results show that the Paris Declaration has stimulated an important dialogue at country level regarding how to improve aid. All donor agencies have made major efforts to implement the Paris Declaration within their organisations and communicate its importance to their staff; and there has been some implementation activity in about 60 countries. But while most developing countries have developed national strategies, only 17 % of the countries surveyed have developed operational national development strategies (including PRSs) that have clear priorities linked to a medium-term expenditure framework and reflected in annual budgets.

31. According to the survey, the status of development partners' efforts to implement Paris Declaration commitments and improve their performance against the agreed indicators is also mixed. Development partners' efforts to organise joint missions, undertake joint economic analyses, or disburse aid in a timely way will need to improve appreciably in order to meet the Paris targets for 2010. At country level, the 2006 survey also raised serious concerns about the high costs of delivering and managing aid. In 2005, the 34 developing countries covered by the survey received 10,507 donor missions, more than one for each working day in each country. This has led many recipients to voice concerns about the slow pace of change in donor practices and the strong disconnect between headquarters' policies and in-country practices. As the volume of aid increases and new (emerging) donors enter the development arena, transaction costs for partner countries might be expected to increase significantly and undermine the effectiveness of aid.

5.2 Aid untying

32. The percentage of untied aid to least developed countries is on the rise and broadly on track, and recent efforts to broaden existing DAC disciplines (elimination of the coverage thresholds) has been constructive. However, DAC Member countries are experiencing some difficulties agreeing on how to further untie aid to non-LDCs or expand untying to food procurement. Among the G8 countries, only the UK has completely untied its aid to all countries. Other DAC members continue to tie part of their aid, including to LDCs. In the run-up to the Ghana High-Level Forum, there are calls for further relaxation on untying.

5.3 New features of the current aid architecture

33. The international aid architecture is undergoing a significant shift -- from a system based on a few large donors to a more competitive and atomistic aid landscape. The number of bilateral donors has grown from 5-6 in the mid-1950s to at least 56 today. There are currently over 230 international organizations, funds, and programs. Besides traditional development partners including Arab Funds, Africa is attracting support from new aid donors. China's commitments in Africa have more than tripled in five years to US\$ 15 billion. International private philanthropy (the most well known being the Gates Foundation), and other private entities

such as NGOs have doubled their assistance over the last seven years to an estimated US\$ 14 billion annually in 2005. The average number of donors per country has nearly tripled over the past 40 years, with the health sector being especially crowded. Worldwide there are over 60,000 aid projects, with an average size of only US\$ 1.5 million. On average, a recipient country has to deal with over 30 different donors.

34. In addition, the increasing numbers of global programs with resources earmarked to specific sectors and objectives is posing significant management problems to Ministries of Finance and Planning in many developing countries. Helping recipient countries manage the flows of resources coming from vertical programs such as the Global Fund to fight AIDS, Tuberculosis and Malaria while respecting national priorities set out in PRSPs is a key challenge: massive resources channelled to one sector can overtake national systems (e.g. procurement, storage) and implementation capacity. Donors have recently provided initial pledges to the replenishment of the Global Fund worth US\$ 9.7 billion over the 2008-10 period. The pledges constitute the largest single financing exercise for health ever, and will allow the Global Fund to move towards annual commitments of US\$ 6-8 billion by 2010.

5.4 Assessment and remaining challenges

35. Significant efforts have already been made to reduce aid transaction costs at country level. These efforts should be pursued more aggressively through implementation of the Paris Declaration. Special attention should be devoted to mechanisms that are more effective at delivering aid at a lower transactional cost for partner countries -- particularly in the context of scaling-up. These include a more rational division of labour across donors, increased use of delegated co-operation, and more efforts to ensure donor synergies and complementarities.

36. The 2006 DAC aid effectiveness monitoring survey indicated that the credibility of developing country budgets, for nearly all countries, is undermined by sizeable discrepancies between the funds disbursed by development partners and the information recorded in country budget estimates. Another important challenge in making progress on this agenda is a better understanding of the various factors that influence donor decisions to channel and track their aid using country systems. Improvements will require concerted and joint efforts by both partner authorities and donors, including sharing of information. At the same time, it is very important to recognise that aid effectiveness goes beyond reducing transaction costs. It also seeks to promote stronger and more accountable institutions at country level, in particular through improved institutional capacity to manage and account for budget resources and greater transparency regarding how development resources are used.

VI. Private capital flows

6.1 Capital inflows to developing countries in Africa

37. Overall, private capital flows to Africa have been growing sharply, in line with overall trends to developing countries⁸. The increase has been broad-based, with foreign direct investment (FDI), commercial bank lending, and portfolio equity all recording substantial gains. After a long period in the 1970s and 1980s with no upward trend, FDI flows to Africa have grown sharply since the late 1990s. This growth is partly explained by rising prices for primary commodities including oil.

38. Net FDI inflows to Africa experienced a strong increase in the last four years and particularly in 2005-06 — from US\$ 12.9 billion in 2002 to US\$ 35.5 billion in 2005. The extractive industries accounted for most of the increase in inflows in 2006. Egypt, South Africa, Tunisia and oil-rich countries (Algeria, Nigeria, Sudan, and Equatorial Guinea) are the principal recipient countries. There are, however, signs of gradual diversification into other countries where FDI has recently risen in manufacturing, agro-industries, textiles and services. Some of these investments are driven by preferential access to developed-country markets, such as

⁸ Net private flows to all developing countries increased sharply to reach US\$571 billion in 2006, reinforcing a trend underway since 2002.

the African Growth and Opportunity Act (AGOA) of the U.S. and the Everything but Arms (EBA) initiative of the European Union. Traditionally, foreign investors to Africa came from Europe and, to a lesser extent, from North America. Lately, Asian investors from countries such as China, India, Malaysia and South Korea have begun to engage in African countries. South African companies are also increasingly investing in other African countries, particularly in Southern Africa where South Africa FDI accounts for more than 50% of all FDI inflows into Botswana, the Democratic Republic of the Congo, Lesotho, Malawi and Swaziland.

**Table 6.1: Net Private Capital Flows to Africa
(US\$ billion)**

	2002	2003	2004	2005	2006 (preliminary)
Net FDI flows	12.9	18.5	18.0	29.6	35.5
North Africa	2.6	5.4	6.6	11.5	19.8
Sub-Saharan Africa	10.3	13.1	11.4	18.6	15.7
Net portfolio equity flows	-0.6	0.8	7.3	8.2	13.5
North Africa	-0.2	0.1	0.6	0.8	1.0e
Sub-Saharan Africa	-0.4	0.7	6.7	7.4	12.5
Net bank debt flows	-2.6	-1.8	-0.2	5.4	9.9
North Africa	0.1	-0.5	-0.6	3.2	3.5e
Sub-Saharan Africa	-2.7	-1.3	0.4	2.2	6.4
Net bonds flows	3.4	5.6	1.4	1.8	2.9
North Africa	0.6	1.0	0.1	1.4	1.5e
Sub-Saharan Africa	2.7	4.6	1.3	0.4	1.4
Total (net) private capital flows	13.1	23.1	26.5	45.0	61.8e
North Africa	3.1	6.0	6.7	16.4	25.8e
Sub-Saharan Africa	10.0	17.1	19.8	28.6	36.0

Note: ^{e/} estimates

Sources: UNCTAD, World Investment Report (2007) and World Bank, Global Development Finance (2007).

39. In 2006 net FDI to North Africa⁹ reached a record high of US\$ 19.8 billion, or over three times the level of 2004. Egypt, Tunisia and Morocco, in that order, received the largest inflows in 2006. While most of the FDI to Africa as a whole went to extractive industries, in Egypt – the top African FDI recipient in 2006 with over US\$10 billion – and in Morocco most of the FDI were in non-oil activities such as agriculture, communications, manufacturing, banking and tourism. In Morocco and Tunisia, privatizations in the telecommunications industry gave rise to the increase.

40. Relatively low FDI flows to Africa as a whole mask their important contributions in several countries. FDI accounts for a sizeable share of total investment in several non-oil producing African countries as shown in Table 6.2. With one or two exceptions, these countries tend to be better managed, highlighting the importance of improving the investment climate and overall governance.

⁹ UNCTAD World Investment Report classifies Sudan as North Africa while it is more customary to list it as part of sub-Saharan Africa.

Table 6.2: FDI inflows as Share of Gross Fixed Capital Formation in Selected Non-Oil Producing Countries, 2006

Country	FDI Inflows (US\$ million)	FDI/GFCF (%)
Botswana	274	15%
Congo	344	26%
Egypt	10043	50%
Ghana	435	18%
Guinea	108	23%
Madagascar	230	18%
Mali	185	15%
Morocco	2898	22%
Namibia	327	20%
Sierra Leone	43	17%
Tunisia	3312	49%
Zambia	350	19%

Source: UNCTAD, World Investment Report 2007.

41. Portfolio equity flows accounted for 30% of all private capital flows to the region in 2004 and 20% in 2005, significantly higher than the 12% share for all developing countries. However, most of the flows are directed to South Africa's burgeoning capital market. After several years of net reflows that began in the late 1990s, Africa now enjoys renewed access to commercial bank lending. Private debt flows to Africa kept pace with the upswing in overall flows to developing countries, reaching over US\$ 6 billion in 2006, driven by abundant global liquidity and steady improvements in credit quality. The growing use of sovereign credit ratings in Africa reflects the improving perception by international private banks of Africa's potential and gives added confidence to investors¹⁰. Currently, 16 SSA countries are rated by international rating agencies, although most ratings remained in the speculative grades. Over the past two years five additional African SSA countries have received credit ratings. Ratings improve information flows and permit comparative assessments across countries, therefore allowing investors, particularly foreign investors, to readjust their perceptions of market and country risk. Credit ratings also increase confidence by signalling the issuer's willingness to be open and transparent with investors. More importantly, they are the first step toward building a track record of a country's creditworthiness.

42. Sovereign bonds. Following Egypt, Morocco and South Africa, Ghana is the first low-income sub-Saharan country to successfully issue sovereign bonds. The bonds, which are for a tenure of ten years and a coupon rate of 8.5% p.a., were more than four times oversubscribed, attracting over US\$ 3 billion from American and European investors for the original issue of US\$ 750 million. On the back of Ghana's success, Nigeria may soon also go to international capital markets with its debut sovereign bond offering.

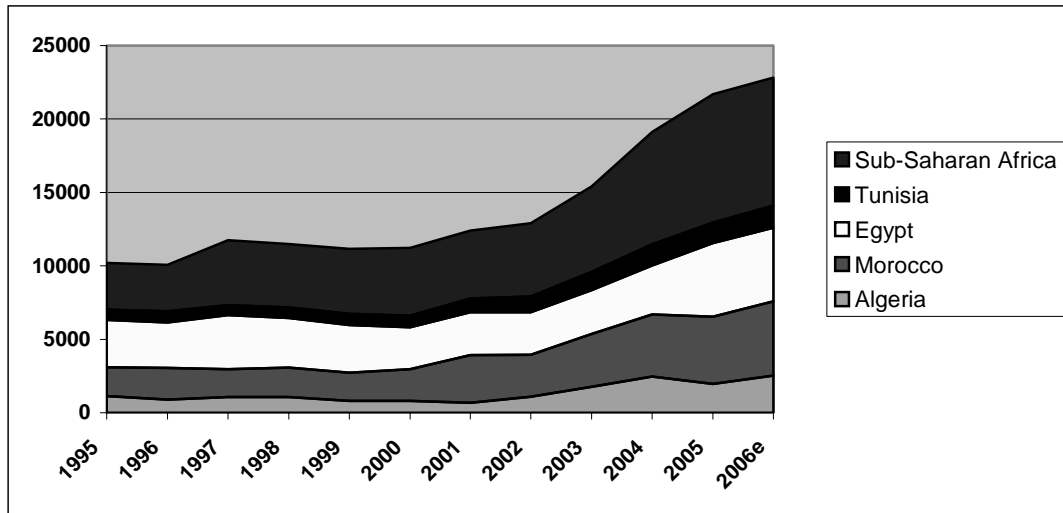
6.2 Remittances

43. Remittance flows to Africa continued to rise in 2006. As a source of foreign exchange, remittances have outpaced private capital flows and ODA. Worldwide remittances to developing countries have tripled over the past decade to US\$ 206 billion in 2006. Most North African countries are large recipients of recorded remittances. Nigeria and Sudan are the largest recipients in sub-Saharan Africa (Figure 6.1). While in terms of recorded data sub-Saharan Africa as a continent received only about 5% of total remittances to developing countries, these flows have increased by 240 percent over the past decade. Remittances flowing to 15 SSA

¹⁰ In the recent period, 20 SSA countries have access to commercial bank lending. They are: Botswana, Burkina Faso, Cameroon, Congo Rep., Equatorial Guinea, Ethiopia, Gabon, Ghana, Guinea, Kenya, Liberia, Mali, Mauritius, Mozambique, Nigeria, Senegal, Sudan, Tanzania, and Zambia. But only South Africa and most North African countries have access to both bond and commercial debt.

countries exceeded 2% of their GDP in 2004. As a regional average, Africa received the equivalent of 1.5% of its GDP as formal remittances.

**Figure 6.1: Trends of Remittances to Africa
(US\$ million)**



Source: World Bank database

VII. Concluding remarks

44. Since the adoption of the Monterrey Consensus in 2002, reinforced by 2005 commitments by G8 and EU countries to substantially increase official development assistance to Africa, the issues of aid scaling up and aid effectiveness have dominated the policy dialogue. Total aid flows by OECD-DAC members have sharply increased in recent years. But debt relief (including the large debt cancellations for Iraq and Nigeria), emergency assistance and other special purpose grants accounted for a large share of this increase.

45. At the same time, as important as aid is in the context of Africa, it is not the only story. Non-aid flows, including domestic revenue, are becoming increasingly more important. Foreign direct investment has grown four-fold in the past decade, reaching an average of US\$ 18 billion in each of the last three years. Today sub-Saharan Africa attracts almost as much FDI, as a share of GDP, as other developing regions. And although, as personal flows, remittances cannot be considered development resources, they are a potential source of finance. Estimates put 2006 remittances at US\$ 22 billion for Africa and US\$ 9 billion for sub-Saharan Africa -- and would be much higher if unrecorded flows through informal channels could be included. For 15 sub-Saharan African countries, remittances exceeded 2% of GDP in 2004.

46. In addition to foreign financing, realizing the ambition of national poverty reduction strategies will require continued effort to increase domestic revenue generation and savings in recipient countries. African countries have managed to raise government revenue by the equivalent of 5% of GDP since the early 2000s. As a result, domestic revenue more than doubled in the last 5 years and in volume terms, is almost six times as large as ODA. But one-fourth of African countries still mobilize less than 15 percent of their GDP in tax revenues. And a dearth of competitive savings instruments in national financial markets constrains the contribution of households to national resource mobilisation efforts. Without further effort to raise domestic revenue, these countries will continue to face the challenges imposed by the volatility and unpredictability of aid flows.

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Annex Table 1: Government Revenue, Excluding Grants (% of GDP)

	1997-2002	2003	2004	2005	2006
Oil-exporting countries	23.6	23.3	26.9	29.6	31.8
Excluding Nigeria	26.6	26.3	27.1	31.4	37.5
Angola	42.4	37.2	37.5	40.4	46.4
Cameroon	14.6	16.1	15.2	17.3	18.9
Chad	7.6	7.8	8.5	9.3	10.8
Congo, Rep of	26.9	29.7	30	38.6	44.7
Equatorial Guinea	22.5	27.3	31.9	37.9	45.7
Gabon	32.5	30.1	30.8	31.3	31.7
Nigeria	21.4	21	26.7	28.1	27.1
Middle-income countries	24.4	24.2	24.9	26.4	27.6
Excluding South Africa	31.5	31.1	31.7	33.3	35.4
Botswana	39.2	38.2	37.4	39.4	41.5
Cape Verde	20.6	21.3	22.8	23.6	25.1
Lesotho	43.1	42.2	46.7	48.7	58.4
Mauritius	19.4	20.1	19.9	19.8	19.9
Namibia	32.1	29.2	30.2	32.7	34.9
Seychelles	42.1	47.2	50	50.2	52.5
South Africa	23.5	23.2	24	25.6	26.7
Swaziland	28.7	26.1	30.7	32.1	35.7
Low-income countries	14.9	15.6	16.6	16.7	16.9
Benin	15.2	17	16.4	16.5	16.8
Burkina Faso	12.1	12.1	12.8	12.3	12.5
Ethiopia	15.1	16.2	17	15.8	16.9
Ghana	17.7	20.8	23.8	23.8	21.6
Kenya	20.2	19.7	21.2	20.8	20.9
Madagascar	10.2	10.3	12	10.9	11.2
Malawi	16.3	16	16.8	18.5	17.4
Mali	13.9	16.4	17.4	17.9	17.1
Mozambique	12.1	12.9	12.6	13.6	14
Niger	9.2	10.2	11.4	10.8	13.1
Rwanda	10.7	13.5	13.9	15.1	14.8
Senegal	16.5	18.1	18.3	19.3	20
Tanzania	11.2	11.4	11.8	12.5	13.3
Uganda	11.5	12.2	12.7	12.8	13.2
Zambia	18.8	18	18.2	17.4	16.8
Fragile countries	13.7	13.8	14.6	15.3	16.5
Including Zimbabwe	16.3	16.8	17.1	18.7	21.1
Burundi	17.7	21.1	20.1	20	18.8
Central African Republic	14.9	9.2	11.4	12.2	21.2
Comoros	12.9	15.8	15.6	15.7	13.6
Congo, Dem. Rep of	5.8	7.7	9.5	11.6	13.2
Côte d'Ivoire	17.7	16.8	17.5	17.1	18.2
Eritrea	31.9	35.4	27.5	29.6	28.3
Gambia, The	17.5	15.7	20.9	19.7	21.2
Guinea	11.3	10.5	10.5	13.1	14.1
Guinea-Bissau	15	15.2	17.2	17.6	19.5
Liberia	..	11.1	14.8	14.5	18.8
São Tome and Principe	15.5	15.2	16.8	64.7	21.2
Sierra Leone	9.4	12.4	12.3	11.9	11.8
Togo	13.6	17	16.8	15.7	16.9
Zimbabwe	24	24.9	33.8	43.7	51.3
Sub-Saharan Africa	21.3	21.4	23.1	24.8	26.2
Excluding Nigeria and South Africa	19	19.8	21	22.8	25.5
Oil-importing Countries	20.5	20.7	21.8	22.9	23.6
Excluding South Africa	17.1	17.8	18.8	19.1	19.6
Resource-intensive countries	23.6	23.1	26	28.5	30.4
Oil	23.6	23.3	26.9	29.8	31.8
Non-oil	22.9	22.7	23.2	24.2	24.5

Source: IMF Regional Economic Outlook, Sub-Saharan Africa, October 2007

Annex Table 2: HIPC debt relief

Status as of end-July 2007
(In millions of U.S. dollars)

	Decision	Completion	Assistance under the HIPC Initiative		Assistance Delivered	Total HIPC and
	Point Date	Point Date			under MDRI 2/	MDRI Assistance
	(1)	(2)	In NPV Terms as of Decision Point 3/ 4/	In Nominal Terms	In Nominal Terms	In Nominal Terms
	(1)	(2)	(3)	(4)	(5)	(6)=(4)+(5)
22 Post-Completion-Point HIPCs				45,254	41,750	87,004
Benin	Jul-00	Mar-03	262	460	1,098	1,558
Bolivia 5/	Feb-00	Jun-01	1,330	2,060	2,801	4,861
Burkina Faso 5/ 6/	Jul-00	Apr-02	553	930	1,161	2,091
Cameroon	Oct-00	Apr-06	1,267	4,917	1,266	6,183
Ethiopia 6/	Nov-01	Apr-04	1,935	3,275	3,208	6,483
Ghana	Feb-02	Jul-04	2,187	3,500	3,801	7,301
Guyana 5/	Nov-00	Dec-03	591	1,354	705	2,059
Honduras	Jun-00	Apr-05	556	1,000	2,703	3,703
Madagascar	Dec-00	Oct-04	836	1,900	2,339	4,239
Malawi 6/	Dec-00	Aug-06	939	1,600	1,526	3,126
Mali 5/	Sep-00	Mar-03	539	895	1,914	2,809
Mauritania	Feb-00	Jun-02	622	1,100	855	1,955
Mozambique 5/	Apr-00	Sep-01	2,143	4,300	1,990	6,290
Nicaragua	Dec-00	Jan-04	3,308	4,500	1,895	6,395
Niger 6/	Dec-00	Apr-04	644	1,190	1,026	2,216
Rwanda 6/	Dec-00	Apr-05	651	1,316	486	1,801
São Tomé and Príncipe 6/	Dec-00	Mar-07	117	263	59	322
Senegal	Jun-00	Apr-04	488	850	2,408	3,258
Sierra Leone	Mar-02	Dec-06	675	994	644	1,638
Tanzania	Apr-00	Nov-01	2,026	3,000	3,743	6,743
Uganda 5/	Feb-00	May-00	1,027	1,950	3,422	5,372
Zambia	Dec-00	Apr-05	2,499	3,900	2,699	6,599
9 Interim HIPCs				18,159	...	18,159
Afghanistan	Jul-07	...	571	1,272	...	1,272
Burundi	Aug-05	...	826	1,465	...	1,465
Chad	May-01	...	170	260	...	260
Congo, Dem. Rep. of the	Jul-03	...	6,311	10,389	...	10,389
Congo, Rep. of	Mar-06	...	1,679	2,881	...	2,881
Gambia, The	Dec-00	...	67	90	...	90
Guinea	Dec-00	...	545	800	...	800
Guinea-Bissau	Dec-00	...	416	790	...	790
Haiti	Nov-06	...	140	213	...	213
2 Non-HIPCs 7/					182	182
Cambodia	...	...	...	...	82	82
Tajikistan	...	...	...	...	100	100
Total Debt Relief Committed				63,413	41,932	105,345

Sources: HIPC documents, and World Bank and IMF staff estimates.

1/ Committed debt relief under the assumption of full participation of creditors.

2/ Nominal MDRI costs include principal and interest foregone for all multilaterals participating in the Initiative, except IMF, which only include principal. The estimated costs for IMF reflect the stock of debt eligible for MDRI relief, which is the debt outstanding (principal only) as of end-2004 and that has not been repaid by the member and is not covered by HIPC assistance (EBS/05/158 Revision 1, 12/15/2005).

3/ Topping-up assistance and assistance provided under the original HIPC Initiative are expressed in NPV-terms as of the time of the decision point.

4/ No totals are shown because the amounts are in different NPV terms (according to the date of the decision point).

5/ Also reached completion point under the original HIPC Initiative. The assistance includes original debt relief.

6/ Assistance includes topping up at completion point.

7/ IMF MDRI debt relief to Cambodia and Tajikistan.

Source: HIPC Initiative documents 2007

Annex Table 3: FDI and Gross Fixed Capital Formation (2005)

Region	Country	Population 2004	GDP per capita 2004 (US\$)	FDI inflow 2005 (mil. US\$)	FDI inward stock 2005 (mil. US\$)	FDI inflows as % of GFCF 2005	GFCF as a % of GDP 2005
North Africa	Algeria	32.36	2496	1081	8272	4.9	21.6
	Egypt	72.64	1222	5376	28882	33.6	17.2
	Lybia	5.74	3406	261	533	8.6	8
	Morocco	30.6	1589	2933	22818	22.1	25.5
	Tunisia	10	2814	782	16924	12.1	21.4
North Africa Total		151.34	11527	10433	77429	.	.
Sub Saharan Africa	Angola	13.96	1309	-24	13413	-1	8.3
	Benin	6.89	500	21	290	2.5	19.1
	Botswana	1.73	4771	346	1084	17.8	21
	Burkina Faso	12.38	348	19	68	1.6	21
	Burundi	7.34	93	-1	45	-0.8	15.6
	Cameroon	16.4	1007	18	1072	0.7	15.1
	Cape Verde	0.48	1947	19	247	5.9	32.5
	Central African Rep.	3.95	330	6	112	3.4	12.8
	Chad	8.82	426	705	3857	64.5	20.1
	Comoros	0.61	427	1	24	3	9
	Congo, Dem. Rep.	54.8	427	1344	2333	106.9	17.5
	Congo, Republic of.	3.86	1129	402	3500	26.4	26
	Cote d'Ivoire	16.8	908	192	4355	10.1	11.7
	Djibouti	0.72	852	23	108	26.4	12.4
	Equatorial Guinea	0.51	7845	1860	7351	304.2	9.1
	Eritrea	4.48	187	11	395	5.4	21.4
	Ethiopia	75.6	106	205	2752	11.6	15.8
	Gabon	1.37	4710	300	542	15.6	21.6
	Gambia	1.45	281	24	289	23.1	22.6
	Ghana	21.2	403	156	2073	6	24.3
	Guinea	8.07	421	102	578	23.9	12.9
	Guinea-Bissau	1.53	176	10	58	27.5	12.5
	Kenya	32.4	443	21	1113	0.8	13.7
	Lesotho	1.81	764	47	527	8.4	44.1
	Liberia	3.45	146	194	4031	304.9	13.1
	Madagascar	17.33	222	48	651	4.2	24.2
	Malawi	11.18	165	3	503	1.6	9.1
	Mali	11.94	377	159	915	15.8	19.1
	Mauritania	2.91	416	115	684	33.3	17.8
	Mauritius	1.23	5123	24	777	1.8	21.5
	Mozambique	19.13	328	108	2386	8.4	19.1
	Namibia	2.03	2661	349	2440	23.2	24.6
	Niger	12.1	199	12	127	2.3	14.8
	Nigeria	139.8	594	3403	34806	31.2	11
	Rwanda	8.41	205	8	279	2.3	16.3
	Sao Tome & Principe	0.16	447	7	24	32.4	31.2
	Senegal	10.46	672	54	1126	2.9	22.3
	Seychelles	0.09	8874	82	828	114.9	10.3
	Sierra Leone	5.44	196	27	108	15.2	14.8
	Somalia	9.94	262	24	48	.	.
	South Africa	45.6	4507	6379	69372	15.8	16.9
	Sudan	34.4	561	2305	7850	52.2	15.9
	Swaziland	1.12	2231	-14	814	-3	18.4
	Tanzania	36	330	473	6029	19.1	20.4
	Togo	4.97	348	49	686	10.7	21.7
	Uganda	25.92	280	258	1830	16.3	18.2
	Zambia	10.55	463	259	3183	18.6	19.7
Zimbabwe	12.94	351	103	1383	13.5	17	
Sub Saharan Africa total		724.26		20236	187066		
All Africa total		875.6		30669	264495		

Source: Adapted from OECD – Directorate of Financial and Enterprise Affairs

Annex Table 4: Workers' remittances, Compensation and Employees, and Migrant Transfers (US\$ millions)

Country	1990	1995	2000	2001	2002	2003	2004	2005	2006e
Algeria	352	1.120	790	670	1.070	1.750	2.460	1.950	2.527
Egypt, Arab Rep.	4.284	3.226	2.852	2.911	2.893	2.961	3.341	5.017	5.017
Libya	..	..	9	10	7	8	10	15	15
Morocco	2.006	1.970	2.161	3.261	2.877	3.614	4.221	4.589	5.048
Tunisia	551	680	796	927	1.071	1.250	1.432	1.393	1.499
Angola	..	..	..	..	..	..	..	..	..
Benin	101	100	87	84	76	55	63	63	63
Botswana	86	59	26	26	27	39	93	125	125
Burkina Faso	140	80	67	50	50	50	50	50	50
Burundi	..	..	..	..	..	..	..	..	..
Cameroon	23	11	11	11	11	11	11	11	11
Cape Verde	59	106	87	81	85	92	113	137	137
Central African Rep.	..	..	..	..	..	..	..	..	..
Chad	..	..	..	..	..	..	..	..	..
Comoros	10	12	12	12	12	12	12	12	12
Congo, Dem. Rep.	..	..	..	..	..	..	..	..	..
Congo, Rep.	..	4	10	12	1	13	15	11	11
Cote d'Ivoire	44	151	119	116	120	142	159	160	160
Equatorial Guinea	..	..	..	..	..	..	..	..	..
Eritrea	..	..	3	..	..	..	..	..	..
Ethiopia	5	27	53	18	33	47	134	174	174
Gabon	..	4	6	5	3	6	6	6	6
Gambia, The	10	19	14	7	7	65	62	58	58
Ghana	6	17	32	46	44	65	82	99	99
Guinea	..	1	1	9	15	111	42	42	42
Guinea-Bissau	1	..	2	10	18	23	28	28	28
Kenya	139	298	538	517	395	494	371	524	524
Lesotho	428	411	252	209	194	288	355	327	327
Liberia	..	..	..	..	..	..	..	..	..
Madagascar	8	14	11	11	17	10	5	3	3
Malawi	..	1	1	1	1	1	1	1	1
Mali	107	112	73	88	137	154	155	155	155
Mauritania	14	5	2	2	2	2	2	2	2
Mauritius	..	132	177	215	215	215	215	215	215
Mayotte	82	..	..	..	..	..	..	..	..
Mozambique	70	59	37	42	53	70	58	57	57
Namibia	13	16	9	9	7	12	16	16	16
Niger	14	8	14	22	19	26	60	60	60
Nigeria	10	804	1.392	1.167	1.209	1.063	2.273	3.329	3.329
Rwanda	3	21	7	8	7	9	10	21	21
S. Tome&Principe	..	..	0	1	1	1	1	1	1
Senegal	142	146	233	305	344	511	633	633	633
Seychelles	8	1	..	2	2	5	7	11	11
Sierra Leone	..	24	7	7	22	26	25	2	2
Somalia	..	..	..	..	..	..	..	..	..
South Africa	136	105	344	297	288	435	523	658	658
Sudan	62	346	641	740	978	1.224	1.403	1.016	1.016
Swaziland	113	83	74	74	62	88	89	81	81
Tanzania	..	1	8	15	12	9	11	16	16
Togo	27	15	34	69	104	148	179	148	148
Uganda	..	..	238	342	421	306	384	476	476
Zambia	..	..	..	..	..	..	..	..	..
Zimbabwe	1	..	..	..	..	..	..	..	..

Source: World Bank data base.

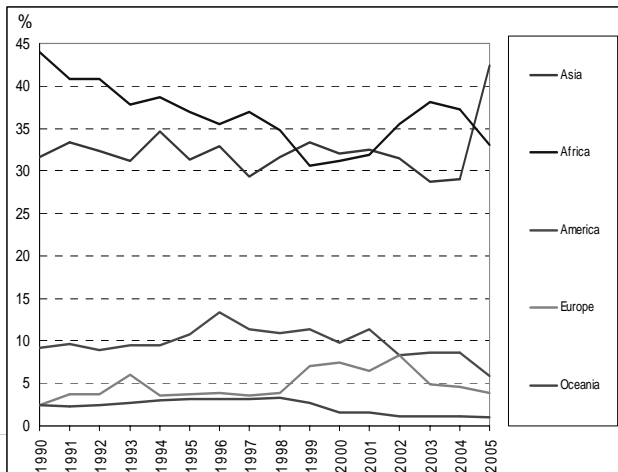
Annex Table 5: ODA to Africa – Some Detail

Top 10 ODA receipts by recipient, US\$m (2005)		
Nigeria	6437	18%
Ethiopia	1937	6%
Sudan	1829	5%
Congo, D. R.	1828	5%
Tanzania	1505	4%
Congo Rep.	1449	4%
Mozambique	1286	4%
Uganda	1198	3%
Ghana	1120	3%
Zambia	945	3%
Other recipients	15678	45%
Total	35212	100%

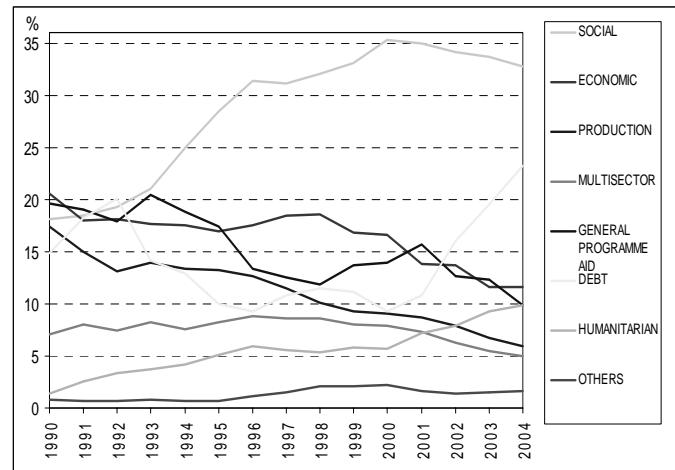
Top 10 ODA donors, US\$m (2005)		
France	4647	13%
US	4570	13%
EC	3922	11%
United Kingdom	3796	11%
IDA	3600	10%
Germany	2659	8%
Netherlands	1422	4%
Japan	1103	3%
Canada	1005	3%
Italy	921	3%
Other donors	7568	45%
Total	35212	100%

Source: OECD-DAC

Regional Share of total net ODA (as % of total)



ODA to Africa by sector, 1990-2004 (as % of total)



ODA to Africa by largest multilateral donors, 1970-2004

