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**Integration\***  
First session

**Eighth Joint Annual Meetings of the African Union**  
**Specialized Technical Committee on Finance, Monetary**  
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Addis Ababa, 23 and 24 March 2015

## Side event

### **Joint African Union Commission- Economic Commission for Africa elements paper for the regional consultation on financing for development**

#### **1. Introduction**

1.1 The outcomes of the Third International Conference on Financing for Development will have important implications for the implementation of the post-2015 development agenda and for Africa's development financing needs over the next decade and a half. The Conference seeks to, among other things, assess the progress made in the implementation of the Monterrey Consensus of the International Conference on Financing for Development and the Doha Declaration on Financing for Development, and to reinvigorate and strengthen the financing for development follow-up process.

1.2 The event will take place at a time when the narrative on Africa's development prospects is changing from one of unbridled pessimism to one of guarded optimism. The optimism about Africa is attributable to a sustained average growth rate of approximately 5 per cent over the past decade, driven in part by stronger natural resource exports, robust domestic demand, rising foreign direct investment and remittance flows, and improved economic and political governance on the continent. Improved economic governance is reflected in enhanced macroeconomic stability, sustainable debt levels, and more robust fiscal buffers that have created the fiscal space needed to mitigate the adverse effects of the global economic downturn on African economies. Indeed, of the 50 economies that have made the greatest improvement in business regulation in the world since 2005, 17 are from Africa (World Bank, 2013). This is a higher rate than can be found in any other region.

\* The Specialized Technical Committee replaces the Conference of African Ministers of Economy and Finance (CAMEF) and the Conference of African Ministers of Integration (COMAI). The Specialized Technical Committee brings together ministers of finance, monetary affairs, economic planning and integration.

1.3 Improved political governance is evidenced by a 15 per cent decline in the number and severity of conflicts on the continent since 1990 (Themnér and Wallensteen, 2013), an increase in the number of countries holding elections, and the emergence of increasingly accountable and democratic Governments (Economic Commission for Africa (ECA), 2013).

1.4 Social indicators have also improved: poverty and inequality have declined, albeit slowly, along with maternal and child mortality. Africa's extreme poverty rate declined from 45.8 per cent in 1990 to 39.6 per cent in 2011 (World Bank 2015). Positive trends have been observed with regard to HIV/AIDS, malaria and tuberculosis prevalence rates and primary and secondary school enrolment. Girls are accounting for an increasing share of enrolments, resulting in full gender parity in enrolment in countries such as Lesotho (ECA and others, 2014).

1.5 Despite a recent slowdown in growth owing to subdued commodity prices worldwide, African economies are expected to grow at a rate of 5 per cent or more over the medium term (ECA, 2015a).

Notwithstanding these positive developments, most African economies remain largely agrarian and heavily dependent on natural resource and commodity exports, making them vulnerable to commodity price fluctuations.

## **2. Towards structural economic transformation**

2.1 Considering that the benefits of growth in Africa have not trickled down to large segments of the population, that a dependence on natural resources comes with limitations, that the rates of underemployment and unemployment remain alarmingly high, and that access to quality health care and educational services remains limited, both the African Common Position on the Post-2015 Development Agenda and the African Union Agenda 2063 have identified key priority areas of action that should pave the way for inclusive and sustainable structural economic transformation.

2.2 Launched at the twenty-first ordinary session of the Assembly of the African Union, Agenda 2063 outlines Africa's development priorities over the next 50 years, and will be implemented through five 10-year plans. The Agenda is anchored on seven aspirations: a prosperous Africa based on inclusive growth and sustainable development; an integrated continent, politically united and based on the ideal of pan-Africanism and Africa's renaissance; an Africa of good governance, democracy, respect for human rights, justice and the rule of law; a peaceful and secure Africa; an Africa with a strong cultural identity, common heritage, shared values and ethics; an Africa where development is people-driven, unleashing the potential of women and young people; and Africa as a strong, united and influential global player and partner.

2.3 The aspirations and priorities of the Agenda are echoed by the African Common Position on the Post-2015 Development Agenda, the continent's blueprint for the intergovernmental negotiations on the new global agenda. The Common Position comprises 6 pillars: structural economic transformation and inclusive growth; science, technology and innovation; people-centred development; environmental sustainability, natural resources and disaster risk management; peace and security; and finance and partnerships.

2.4 Both Agenda 2063 and the Common Position advocate a robust, inclusive structural transformation that leverages the continent's natural resource endowments. Specific priorities include the transformation of the agricultural sector to make it more productive and sustainable; infrastructure development; investment in science, research, technology and innovation; investment in human capital through improved health and education service delivery; investment in the greening of Africa's economies and the enhancement of their resilience to climate change, including by leveraging the continent's vast untapped renewable-energy potential; capacity-building in the

management of natural resources; and harnessing of the demographic dividend generated by the continent's youthful population.

2.5 For most countries, structural transformation requires the manufacturing sector to create added value and make a greater contribution to the gross domestic product (GDP). In this context, it is projected in Agenda 2063 that in 50 years the manufacturing output as a share of GDP will increase five-fold to 50 per cent; the sector will absorb at least 50 per cent of new labour market entrants; the output of technology-driven firms as a share of the total manufacturing output will rise above 50 per cent; and Africa will be a high-end player in global value chains.

### **3. Africa's priorities for structural transformation**

3.1 The financial implications of Africa's transformation agenda are substantial. The infrastructure gap alone is estimated at around \$100 billion per year, with climate financing accounting for additional costs. A framework has been developed to finance the continent's development priorities. The key elements of this framework are captured in both Agenda 2063 and the Common Position.

3.2 The Economic Commission for Africa has undertaken preliminary work to determine the additional financial resources that will be required to reduce poverty and inequality in Africa by half, assuming that savings, foreign direct investment and official development assistance stay at their 2014 level (ECA, 2015e). Under different scenarios, the additional financial resources required range from \$48 billion to \$246 billion per year between 2015 and 2030. The higher figure of \$246 billion applies when the target is to halve poverty and inequality simultaneously, while the lower figure of \$48 billion applies when the resources required are only to halve poverty by 2030, with inequality remaining constant. If remittances are successfully channelled towards investment, the additional financing resources required should be between \$6.5 billion and \$204.6 billion per year.

3.3 Both the Common Position and Agenda 2063 prioritize domestic resource mobilization and trade as the main sources of financing for structural transformation and sustainable development in Africa, but also recognize the need for external sources of finance. In this context, the Common Position advocates collaboration between Africa and its strategic partners to address all aspects of the sustainable development challenges that Africa faces.

### **4. Global processes in development financing**

4.1 Africa's development financing framework cannot be decoupled from the global financial architecture and governance mechanisms.

4.2 The Monterrey Consensus marked the first coordinated global effort to facilitate development financing for developing countries. Formed in 2002 in response to the challenges of financing development around the world, the Consensus established a set of guiding principles that would enable developing countries to address the challenges faced in mobilizing sufficient financing for their economic development. The Consensus specified six leading actions towards this objective: 1) to mobilize domestic resources for development; 2) to mobilize international resources for development, specifically foreign direct investment and other private flows; 3) to utilize international trade as an engine for development; 4) to increase international financial and technical cooperation for development; 5) sustainable financing of external debt; and 6) to address systemic issues.

4.3 The Consensus also paid special attention to gender-sensitive, people-centred development and issued a call to mainstream the gender perspective into development policies at all levels and in all sectors.

4.4 The Doha Declaration on Financing for Development reinforced the Monterrey Consensus by reemphasizing national ownership and the meeting of official development assistance targets; and acknowledged the importance of emerging issues in development finance, such as climate change, commodity price fluctuations and the need to strengthen international cooperation on tax issues.

4.5 Although African Governments have applauded and reiterated their commitment to the principles endorsed at both the Monterrey and Doha meetings, the decade following the Monterrey meeting highlighted some fundamental gaps in development financing, particularly for African countries pursuing structural transformation. The most notable of these gaps was the need for a framework to track and monitor overall resource mobilization efforts and resource flows to targeted development areas, taking into account the heterogeneity of developing countries.

4.6 The Monterrey and Doha principles were developed ex post and specifically for internationally agreed development goals, with limited focus on economic growth and transformation. As a result, the principles overlooked key enablers of transformation and achievement of internationally agreed development goals, such as quality of service delivery, infrastructure, peace and security, and the efficacy of global cooperation frameworks.

4.7 In a bid to assist countries in implementing the global development agenda, the General Assembly, in its resolution 68/204, requested the President of the Assembly to convene inclusive and transparent intergovernmental consultations, with the participation of major stakeholders involved in the financing for development process. Those consultations will be held between January and June 2015 and would be co-facilitated by the Permanent Representatives of Guyana and Norway to the United Nations and would include a series of substantive informal sessions and informal interactive hearings with civil society and the business sector, and drafting sessions on the outcome document.

4.8 The outcomes of the intergovernmental negotiations on financing for development will be relevant to Africa for two reasons. First, they will inform the means of implementation of the sustainable development goals. Second, they will determine the extent to which the aspirations of Agenda 2063 and the African Common Position could be realized.

4.9 The negotiations leading up to the Third International Conference on Financing for Development have so far resulted in a number of proposals that should inform Africa's position on financing for development. These proposals include a renewed commitment by the world's rich countries to devote 0.7 per cent of their gross national income to official development assistance; capacity-building for tax administration; combating of tax evasion, corruption and illicit financial flows, including through the automatic exchange of information; the removal of trade-distorting measures; greater market access; a fairer trading system and the conclusion of the Doha round; the preeminent role of public finance over private financing for development purposes; and the importance of improving access to transparent and gender-disaggregated data in order to support women's empowerment.

## **5. Domestic resource mobilization**

5.1 To realize its major objective of structural transformation based on inclusive growth and sustainable development, Africa has stepped up its policy initiatives aimed at addressing the

financing gap by relying more on public and private domestic resources, including the work of the Planning and Coordination Agency of the New Partnership for Africa's Development (NEPAD), the Ninth African Development Forum, the High-Level Panel on Alternative Sources of Financing, the African Union and the High-Level Panel on Illicit Financial Flows, and the recently adopted African Common Position on the Post-2015 Development Agenda.

5.2 This emerging African position moves the debate on financing the continent's development away from the narrow focus of the Monterrey Consensus on the supply of funding by linking development financing to the broader issues of structural transformation, underpinned by capable, inclusive and accountable institutions at the national, regional and global levels.

5.3 The critical importance of domestic resource mobilization has been attributable to the following reasons: (i) reliance on domestic resources reinforces a country's ownership of public policy and strengthens accountability; (ii) domestic resources can spur a more effective use of development financing; (iii) external resources are not only unpredictable and erratic, but would not be sufficient to meet Africa's development financing needs; (iv) most donor countries have failed to live up to their long-standing commitments.

5.4 Tax revenue is playing an increasingly important role in the financing of Africa's development, ranking second only to export earnings. The continent's total tax revenue increased from \$331 billion in 2009 to \$527.3 billion in 2012 (ECA, 2015b).

5.5 The tax-to-GDP ratio increased in the period 2000-2013, and is projected to keep rising until 2020 in middle-income African countries. However, the trend is expected to remain below the 15 per cent threshold in low-income countries, although that level is considered by many as a reasonable target for their level of development (see annex 1). Official development assistance should therefore be used as a complementary tool to support low-income countries in their domestic resource mobilization efforts. Development partners could provide enhanced financial and technical support to enhance tax capacity-building efforts in these countries and improve their tax administration in the priority areas identified by the Governments.

5.6 Africa has considerable potential to raise more domestic resources through taxation, which could be realized by broadening the tax base and improving tax administration, tapping on relatively underutilized sources of taxation, taxing financial transactions, and improving corporate governance of extractive industries in resource-rich countries. The establishment of independent tax agencies to address issues of capacity in tax administration has also been successful in a number of African countries. Addressing harmful tax competition among African countries in the hopes of attracting foreign direct investment will also help to raise needed domestic resources.

5.7 There is also a need to address the regulatory and tax reform challenges necessary to raise more domestic resources. Central to this is the reliance in many African countries on indirect taxes as such value-added taxes and customs duties, which tend to be disproportionately borne by the poor. In this context, tax compliance could be enhanced by providing affordable State pensions and other welfare packages, and improved public service delivery at national, subnational and local levels, because citizens are more likely to pay taxes if they feel that their lives would be improved in return. This will be particularly helpful in inducing the large informal sector, as its employees will see tangible benefits in this new form of citizen-based social contracts.

5.8 Considerable resources could be generated through public sector efficiency gains; those resources could then be reallocated to meet development objectives. Strengthening public expenditure and investment management can help to limit waste and graft, including through better selection, design, and management of public investment projects, thereby improving the enabling

environment for investment. Reforming regressive and harmful subsidy and procurement regimes, can increase public expenditure efficiency and allow for more spending in support of poverty alleviation efforts.

5.9 However, in the current globalized world, there is increasing evidence of the difficulties of delinking national solutions from global efforts in the fight against illicit financial flows that have been draining over \$ 50 billion a year from African coffers over the last decade. The High-Level Panel on Illicit Financial Flows from Africa has raised particular concerns that most African countries lack the means to verify the quantities of natural resources exported, relying instead on exporter declarations (ECA, 2015c). Self-regulation is the rule and African countries often use a variety of incentives to encourage accurate reporting.

5.10 While a number of governance initiatives are emerging at the global level, particularly within the Organization for Economic Cooperation and Development (OECD), the Group of 8 and the Group of 20, including automatic exchange of tax information and base erosion and profit shifting measures, there remain gaps in global governance relating to illicit financial flows. The measures that have been taken or that are being contemplated do not take into account the needs of African countries or those of other developing countries. Efforts must therefore be made to ensure that Africa benefits from such initiatives without having to bear any undue compliance costs. One inclusive global solution would be to implement the recommendation of the Doha Declaration on Financing for Development to strengthen global institutional arrangements, including the United Nations Committee of Experts on International Cooperation in Tax Matters.

5.11 Filling the financing gap in Africa will require effective collaboration between Governments and the private sector. However, the private sector has so far played only a limited role in the implementation of Africa's development projects, especially its infrastructure and sustainable development projects. Given recent improvements in the enabling environment – governance reforms, improved policy and regulatory frameworks, emergence of functional and effective public institutions – the private sector should step up its participation in infrastructure development on the continent. To this end, public-private partnerships need strengthening and new models of such partnerships and high-level platforms for public-private sector consultations are required.

5.12 Considerable efforts are needed to enhance private domestic resource mobilization. As is the case with public domestic resource mobilization, a stable macroeconomic environment is a prerequisite for a well-functioning financial system. While reforms are being undertaken to liberalize financial sectors across Africa, it remains uncertain whether they have given rise to more savings or more efficient investment. Basic financial sector informational infrastructure, such as credit bureaux and land registries, tends to be highly underdeveloped in most countries. Building this infrastructure would be highly beneficial, since it is essential for the development of housing and other long-term credit markets (North-South Institute, 2010). Mobile-phone and electronic banking, along with programmes for strengthening financial literacy among the general population and building capacity for banking regulation are options to be considered.

5.13 Mobilizing domestic savings is an important goal in the development of financial systems. Household savings provide a stable, low-cost and low-risk source of financing compared to, for example, international private capital flows (ECA, 2015b). Domestic savings are projected to continue rising, except in low-income countries (see figure 2 in annex 1). This can be explained by the strong correlation between savings levels and per capita and national income. This means that even where financial access is expanded, as it has in many African countries since 2002, savings rates remain dependent on economic growth (Beck and others, 2011).

5.14 Since 2002, all African countries have also experienced increasing domestic credit relative to GDP (World Development Indicators, 2015). Domestic credit tends to increase with per capita income, reflecting financial strengthening as economies grow. However, domestic credit should be assessed not only in absolute terms, but also in terms of how it is used. In some countries in Africa, growth in credit to the private sector simply means more credit for consumer finance and short-term businesses. By contrast, there has been limited growth in credit for sectors that are important for structural transformation, including agriculture, manufacturing and infrastructure.

5.15 Although the focus placed by African central bank governors on price and financial stability has helped to contain inflation and bolster the financial sector, it has not helped to bring down unemployment or spur inclusive growth on the continent. Accordingly, at their caucus meeting held in March 2013, the governors encouraged central banks to work together to solve the social problems resulting from this failure, suggesting that these banks must have a role to play in the continent's development. Programmes aimed at improving access to finance, promoting financial inclusion and fostering targeted interventions in the economy must be considered.

5.16 Stock market capitalization in Africa increased from \$300 billion in 1996 to \$1.2 trillion in 2007, but secondary financial markets on the continent remain largely underdeveloped (NEPAD and ECA, 2014). The region's stock markets are thin and illiquid. Issues of human, technological and institutional capacity are persistent, and risk management and regulations have had limited impact on portfolio inflows. However, these markets continue to have attractive investment opportunities (Allen and others, 2011).

5.17 African countries have accumulated foreign exchange reserves for macroeconomic stabilization. Their excess foreign reserves increased from \$55.2 billion in 1995 to \$573.8 billion in 2012, and then declined to \$506.7 billion in 2013. Oil-exporting economies accounted for more than 70 per cent of the total reserves of the region during 2011-2013. The accumulation of reserves accumulation has been accompanied by an appreciation of national currencies, which in turn undermines export-sector performance, domestic investment and employment creation. African countries should therefore use their reserves to boost productivity, enhance public investment and diversify their exports to reduce their reliance on primary commodities. Diversifying reserves holdings could also help to minimize losses from currency appreciation.

5.18 To accelerate the process of structural transformation, a number of African countries are complementing the traditional sources of domestic financing identified above with alternative sources such as sovereign wealth funds, pension funds, remittances and diaspora bonds. However, their main challenge is to align these instruments with their overall development priorities.

5.19 Several African Governments have established sovereign wealth funds to manage their large excess reserves. Africa is now home to 15 such funds. Although these funds can help to steer investment towards structural transformation, they suffer from poor governance, with a lack of transparency and accountability and weak institutions possibly creating a risk of expropriation and corruption surrounding these funds.

5.20 Pension funds can provide a reliable source of financing for Africa's development. African pension funds currently represent a growing domestic source of capital for private equity estimated at over \$29 billion (Ashiagbor and others, 2014). They can fuel investment in local businesses, infrastructure projects and services that are desperately needed for Africa's continued transformation and growth.

5.21 The insurance sector also has similar potential in the financing of Africa's development. However, the sector is small and is still dominated by obligatory, State-owned schemes administered by national social security corporations. Most African countries have restrictions on how and where funds can be invested, which ultimately limits investment returns (ECA, 2014a).

### **Desirable actions**

5.22 African Governments should:

- Make additional resources available for sustainable development by reforming the tax systems, ensuring fair and equitable taxation, eliminating harmful subsidies and unproductive practices, facilitating the participation of all stakeholders, and generating new revenue from sources such as royalties, income tax, land tax and leases.
- Make effective use of the resources mobilized by strengthening their institutions, improving governance, tax administration and the management of revenue from commodities and the extractive industries, discouraging tax avoidance and tax evasion, making more cost-effective expenditure, curtailing illicit financial flows, minimizing corruption and maintaining financial stability.
- Exploit the potential of the continent's extractive industries in a manner that ensures that current and future generations benefit from resource earnings. Mechanisms such as sovereign wealth funds should be established and efficiently managed to reduce vulnerability to economic volatility and the resources should be allocated to sustainable, inclusive development endeavours.
- Support a more developmental role for central banks by adopting a broader mandate, including improving access to finance and promoting financial inclusion through targeted interventions in the economy.
- Encourage the private sector to step up its participation in infrastructure and sustainable development projects on the continent. To this end, public-private partnerships should be strengthened and new models of such partnerships focusing more on enhancing the role of domestic private sector should be developed, along with high-level platforms for public-private sector consultations.
- Improve conditions for domestic savings by establishing strong and efficient regulatory and enforcement frameworks, reducing barriers to savings, improving the national capacity and willingness to save, providing incentives for financial institutions to improve access to savings products, and encouraging the growth and utilization of contractual savings such as pension and insurance funds that can be allocated to long-term investment projects.
- Develop human resource capabilities and skills in the specialized areas of contract negotiation, accountancy, standard contract arrangements and legal instruments.

5.23 The international community should:

- Support equitable and progressive tax systems in Africa, which are critical for the mobilization of domestic resources to finance public services at both national and subnational levels.

- Ensure differential and preferential treatment for low-income countries to facilitate their access to markets, finance, technologies, know-how and other resources and the fulfilment of their international commitments and obligations.
- Provide official development assistance with a view to bolstering the capacity of low-income countries to mobilize domestic resources. Development partners should provide enhanced financial and technical support tax capacity-building efforts in these countries and to help them improve their tax administration in propriety areas identified by their Governments.
- Implement the recommendation of the Doha Declaration on Financing for Development to strengthen global institutional arrangements, including the United Nations Committee of Experts on International Cooperation in Tax Matters.
- Pursue mutually beneficial cooperation between source and destination countries of illicit financial flows at the regional and international levels with a view to discouraging and curbing the use of such flows and facilitating asset recovery and repatriation. This should include the adoption of measures to improve access to tax information and the full and timely sharing of data on the pricing of goods and services in international transactions, in accordance with accepted coding system categories.

## **6. International resources**

6.1 Even though international resources are generally found to be less stable and predictable than domestic resources as a source of development finance, they play a vital and complementary role in shaping Africa's development prospects. The various challenges associated with international resources make it vitally important for African countries to effectively harness them in the service of the continent's overarching goal of achieving inclusive and sustainable growth and structural transformation.

6.2 International resources for development include official development assistance, foreign direct investment, portfolio investment and remittances. The potential developmental impact and relevance of each of these inflows varies across and within African countries, depending on a number of factors, such as level of economic development and natural resource endowment. The size of inflows also typically varies by economic sector, and each type of inflow has specific strengths and weaknesses; some can be easily allocated to specific developmental goals, while others cannot.

6.3 Accordingly, no single set of policy measures can be applied uniformly across countries to maximize international inflows. The effectiveness of any policy measure would depend on economic conditions in the country, the degree of readiness and the ability of individual countries to attract various types of (particularly in the case of private) international development finance. Nevertheless, recent positive trends in international resources for development suggest that these resources represent a potentially significant and viable source of development financing.

### **Remittances**

6.4 Since 2000, remittances have surpassed foreign direct investment as the largest external source of international inflows to Africa and are the most important external source of inflows for lower-middle-income countries in Africa, increasing from \$60 billion in 2012 to \$62.9 billion in 2013 (ECA, 2014b). Reducing the cost of sending remittances (both within Africa and into Africa

from abroad) and developing financial instruments to channel such flows into development programmes and projects would optimize their developmental impact. Remittances routed through informal channels remain unquantifiable yet could be significant. Introducing new and alternative avenues for money transfer could also enhance financial inclusion and encourage the use of formal channels, which would in turn improve the measurement and reach of remittances and the assessment of their developmental impact.

### **Desirable actions**

6.5 African Governments should:

- Make a commitment to and set targets for reducing the cost of sending remittances within Africa through measures such as technological diversification, increased competition in the remittance service market and delivery of information on available investment instruments.
- Make a commitment to develop innovative ways of mobilizing remittances, including through the introduction of diaspora bonds.
- Make a commitment to and set targets for improving collaboration in the collection of data on remittances, including by sharing lessons learned in enhancing the developmental impact of remittances.

6.6 The international community should:

- Make commitments to support the efforts of African countries to enhance financial inclusion and develop new and alternative technologies and formal avenues for money transfer, including by having developed countries honour their pledge to reduce the global average cost of sending remittances by 5 per cent by 2015, and by developing and disseminating initiatives like the Handbook on Financial Literacy for Remittances and Diaspora Investment, published by the European Commission.

### **Foreign direct investment**

6.7 Unlike other private international resources, foreign direct investment can be instrumental in the development of productive capacities, contributing in particular to the easing of infrastructure bottlenecks, especially in energy and transport. Foreign direct investment flows to Africa have been generally increasing in recent years, driven by market demand and infrastructure investment needs. Intra-African foreign direct investment, which tends to benefit structural transformation priority sectors such as manufacturing, has also increased. However, the overall positive outlook masks steep declines in foreign direct investment inflows into some African subregions as a result of regulatory uncertainties, political turmoil or lack of capacity by local partners. Subregions that receive such inflows see an improvement in their domestic environment for doing business, including relatively more diversified sectors, a focus on innovation, the availability of human capital, favourable demographics, and discoveries in the gas and minerals sectors. There is increasing evidence of foreign direct investments being diversified away from the extractive sector to other sectors, which bodes well for Africa's structural transformation.

6.8 The need for effective public policies to leverage foreign direct investment for the development of strategic sectors, including manufacturing, will continue to be of primary importance for Africa's structural transformation. African Governments go to great lengths to court foreign direct investment, most prominently through fiscal incentives. Avoiding competitive and

premature liberalization in sensitive sectors while also retaining policy space for the pursuit of transformational goals will be paramount. Existing preferences under the rules of the World Trade Organization, for instance, will need to be safeguarded and not inadvertently relinquished in the quest for foreign direct investment and other private flows.

### **Desirable actions**

#### 6.9 African Governments should:

Make a commitment to improve their regulatory environments for business and encouraging the growth of impact investments.

- Make a commitment to and set targets for developing appropriate and acceptable national and regional standards for the prevention of harmful competition in the attraction of foreign direct investment.
- Make a commitment to and set targets for intensifying regional integration, including by cooperating on the building of regional infrastructure to enhance intra-regional connectivity, enable economies of scale and facilitate the growth of regional value chains.
- Make a commitment to and set targets for various initiatives aimed at enhancing foreign direct investment readiness and generating backward and forward linkages with such investment, including those relating to development planning, domestic private sector development (including enhanced access to credit by small and medium-sized enterprises), human capital, economic infrastructure, innovation, public-private partnerships and land valuation capacities.

#### 6.10 The international community should:

- Make a commitment to and set targets and indicators for incentives for private sector accountability with regard to the post-2015 development agenda and the alignment of that agenda with African structural transformation priorities, including the establishment of reporting standards and obligations for responsible corporate behaviour.
- Make commitments to prioritize the use of public international resources to create robust enabling national environments that can catalyze private investments at scale, rather than direct transfers to businesses through concessional loans or grants.
- Make a commitment to and set targets for prioritizing disbursements from existing multilateral institutions, and in particular United Nations system organizations, with the aim of increasing their developmental impact.

## Official Development Assistance

6.11 Despite the various pledges to Africa by the international community, only five donors met the 0.7 per cent target of official development assistance as a percentage of gross national income, even though official development assistance from the 28 member countries of the OECD Development Assistance Committee rebounded and reached its highest-ever level in 2013 (OECD, 2014). In the same year, official development assistance to Africa fell by 5.6 per cent.

6.12 The share of aid, including country-programmable aid, to least developed countries (particularly in Africa) has been falling in recent years and a reversal in this trend is not expected in the near future. A similar trend is discernable in the case of small island developing States and countries affected by conflict. Similarly, official development assistance to landlocked developing countries has stagnated since 2009. Beyond declining aid levels, OECD studies also highlight a shift in aid allocations away from the poorest countries to middle-income countries. In contrast, current evidence suggests that development aid from countries that are not members of the Development Assistance Committee and from South-South cooperation is growing rapidly. Assessments and forecasts of aid flows from Africa's other major donors is, however, hampered by a lack of data and systematic reporting.

6.13 Official development assistance will remain a crucial component of international development cooperation for the implementation of the post-2015 development agenda, particularly for countries most in need. Financing flows for global public goods should constitute additional official development assistance and the global goals of poverty eradication and sustainable development will need to be closely aligned with Africa's structural transformation priorities. Aid for trade has the potential to be an important source of development finance, particularly since it could help to raise funds for African countries. However, aid for trade has several limitations, including the difficulty for some African countries to obtain such aid; its unpredictability and narrow scope; the need for enhanced donor coordination and alignment with the strategies and priorities of recipient countries, and the increased focus on trade capacity-building in developing country countries.

6.14 These limitations call for reforms to aid for trade governance. For instance, the creation of a global vertical aid-for-trade fund would help to reduce the burden on recipient countries to work with multiple donors and also lead to improved accountability, monitoring and evaluation of aid for trade. Such a fund, which could be operated using a conventional classification of aid for trade and its own monitoring system, could address many of the problems associated with the current classification of aid for trade. In addition, channelling aid for trade through an existing fund, such as the Africa Trade Fund of the African Development Bank, would simplify the donor landscape.

6.15 Similarly, the climate finance architecture is too complex. Insufficient resources to meet the African and global climate challenge are spread thinly across many small funds, with overlapping remits. In addition to national capacity-related constraints, African countries also currently face a number of difficulties in accessing climate funds, some of which have cumbersome and complex access procedures. More financial resources need to be mobilized for the climate finance architecture to support climate mitigation and adaptation activities and the policy, regulatory and enabling environments to encourage large-scale investments (Overseas Development Institute (ODI), 2014).

## **Desirable actions**

### 6.16 African Governments should:

- Make a commitment to and set targets for enhancing public sector financial management and development planning, in order to facilitate the disbursement of aid and the implementation of developmental projects.

### 6.17 The international community should:

- Should recommit to meeting internationally agreed targets, including the 0.7 per cent official development assistance-to-gross national income target to all developing countries, at least from OECD countries, and the target of 0.15 to 0.20 per cent to least developed countries, and establish a mechanism for monitoring the achievement of such targets.
- Establish specific targets and indicators for the alignment of official development assistance with African development priorities, and in its particular structural transformation priorities, along with a mechanism to monitor aid effectiveness.
- Establish a transparent system of measuring and accounting for official development assistance that prioritizes country-programmable aid and supports the efforts of countries to mobilize domestic resources.
- Make a commitment to and set targets for mechanisms to monitor the impact of public funds channelled through private sector actors.
- Make a commitment to and set targets for assistance to African countries to enhance their aid absorptive capacities.
- Follow up on and monitor existing and future commitments concerning climate finance.
- Make a commitment to and set targets for reducing current barriers and funding asymmetries in climate finance and achieving a more appropriate balance in the allocation of funding between adaptation and mitigation actions in Africa.

## **7. Technical cooperation**

7.1 To better support Africa's developmental efforts, it is imperative that the post-2015 global partnership be consistent with the ongoing rebalancing of geopolitical and economic weights in favour of developing countries. In this sense, a fair reform of the multilateral trade and financial architecture calls for greater attention to the development dimension and a stronger voice for the developing world in key international forums (including the Bretton Woods institutions).

7.2 In line with these global trends, it is imperative for Africa to forge new financial and technical cooperation partnerships, taking into account the increasing complexity of the development finance landscape, which has seen the emergence of new actors, such as development partners from the South and private philanthropic foundations, and of innovative aid modalities. This evolution could help to mitigate, at least in part, the slowdown of traditional official development assistance (United Nations, 2013 and 2014). Beyond the mere supply of official flows, the emerging traits of the development finance landscape provide the opportunity to go beyond the

traditional donor-recipient dichotomy and focus on harnessing potential synergies and complementarities across different partners at global, regional and domestic levels.

7.3 For example, it has been noted that whilst traditional donors still tend to allocate the bulk of their aid budget to social sectors, development partners focus more on infrastructural and productive sectors. This requires African countries to assume full ownership of the infrastructural development agenda, and to coordinate at regional level and with the donor community, taking strategic advantage of complementarities and distinct comparative advantages of the donor community.

7.4 South-South cooperation also offers a promising platform for identifying common interests and coordinating positions on the management of global issues of common concern and the reform of the multilateral trade and financial architecture. As it became evident at the Ninth Ministerial Conference of the World Trade Organization, held in Bali, with the success of India on the issue of public stockholding for food security purposes, the emergence of a multipolar world widens the scope for effective South-South coalitions for forging a fairer multilateral trading and financial system.

### **Desirable actions**

7.5 African Governments should:

- Go beyond the traditional donor-recipient dichotomy and focus more on harnessing potential synergies and complementarities across different partners at global, regional and domestic levels.
- Assume full ownership of the development agenda and play a more proactive role in the coordination and management of official flows.

7.6 The international community should:

- Provide developing countries with greater representation in key financial and development forums.
- Take into account the scope of South-South coalitions in the ongoing debate on the reform of the multilateral trade and financial architecture.

## **8. Science, technology and innovation for structural transformation**

8.1 Technologies and innovation are an essential element of all financing for development efforts. New technologies and innovation improve the efficiency of the financial system by reducing or attenuating transaction costs and the constraints of geography in the mobilization of domestic resources. Technology is also critical for the creation of new financial instruments. In many African countries, new financial instruments such as M-Pesa and M-Birr have reduced the extent of financial exclusion and brought many “difficult-to-bank” citizens into the formal financial sector. As well, new health technologies, such as point-of-care diagnostic technologies, vaccines and other therapeutics, are improving health outcomes, reducing absenteeism and overall health-care expenditures, thus freeing up resources for development.

8.2 Flowing from the above, it is thus evident that harnessing science and technology and fostering innovation are imperatives for structural transformation of Africa. In this context, public support and funding is critical for the development of science, technology and innovation, in particular where investments are inherently too risky for private sector actors to undertake alone and the potential benefits for society at large are considerable.

8.3 Reaping the benefits of international knowledge transfer depends mainly on the existence of adequate absorptive capacity among local firms and organizations, and that absorptive capacity in turn depends on the human capital and research and development expenditures of the receiving country or organization. While research and development funding remains below the 1 per cent of GDP in countries committed to implementing, innovation financing, it is almost absent in many African countries. Africa is unlikely to emerge as a true growth pole if it neglects its research and development centres for the development of science, technology and innovation.

8.4 The overall innovation policy environment in African countries is underdeveloped and largely inadequate. Some of the key areas that need special attention include promotion of innovation in the education system and among small and medium-sized enterprises, innovation financing for experimental development, technology transfer and commercialization of research outputs, and monitoring and tracking of science, technology and innovation performance on the continent. The general improvement in the business environment and the existence of key institutions offer opportunities for innovative mechanisms for the promotion of science, technology and innovation, including financing and public-private partnerships.

8.5 Universities, colleges and research and development institutions offer a fertile ground for seeding, nurturing and developing an innovation society in Africa. Some university faculties already serve as premier institutions for technology development and transfer and for economic and social research and training for corporate workers in Africa. With minimal support, they could take on a new mission of promoting innovation and managing support networks for innovators. A favourable innovation policy environment could ensure Africa's future competitiveness and sustainability of growth by facilitating the diversification and transformation of its economy (Economic Commission for Africa (ECA) and African Union Commission (AUC), 2012).

8.6 The **WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)** is a set of minimum requirements for the protection of intellectual property rights. Licenses are just as expensive to acquire as products that are still under patent protection, especially pharmaceutical products. Pharmaceutical patents are also very expensive. One of the major outcomes of the Doha Round of trade negotiations was the granting of waivers on TRIPS to least developed countries. To implement these waivers, countries were given until 2021 to implement in full the provisions of TRIPS. African countries should seek to extend the waivers on pharmaceutical products, since they result in higher prices, which then translate into the diversion of scarce financial resources needed for development.

### **Desirable actions**

8.7 African Governments should:

- Build strong public organizations and institutions to support the development of science, technology and innovation.
- Provide public financial support and offer special grants, loans and guarantees for start-ups and new firms and subsidies and tax incentives for pilot projects and trials, and encourage foreign and large domestic firms to invest in laboratories, train and

sponsor local students and work with national institutions to bring desired products, services and processes to market.

- Harness domestic and international resources to develop domestic absorptive capacity and stimulate existing institutions to become more entrepreneurial.
- Promote innovation in a number of sectors that are keys to the continent's structural transformation and sustainable development.
- Seek ways of using foreign direct investment to build a sound technological and industrial base, improve standards and speed up the adoption of modern business management practices.
- Fund universities, colleges and research and development institutions to serve as hubs for developing, adapting and diffusing technology in industry.
- Foster innovation and capacity by adopting coherent national science, technology and innovation strategies and increasing investments in science, technology and innovation.
- Provide sufficient financing for innovation, in particular for sustainable technologies.

#### 8.8 The international community should:

- Scale up official development assistance for science and innovation, in order to support research and development, technology diffusion, and national innovation funds and centres in Africa.
- Build on the Istanbul Plan of Action, and make fully operational its technology bank and the science and technology supporting mechanisms by 2017.
- Ensure that the policy environment is conducive to technology transfer and the establishment of a balanced intellectual property rights regime that is consistent with sustainable development.
- Establish a facility to enhance the development, transfer and dissemination of clean and environmentally sound technologies to developing countries on concessional and preferential terms.
- Seek to extend the waiver provisions of TRIPS for pharmaceutical products to free up resources for Africa's development.

## 9. Capacity-building

9.1 Recent analysis points to the great strides that Africa is making in development and to the opportunities that it has to build on the achievements made with regard to conflict reduction and economic growth. At the same time, there is hardly any analysis that would not place capacity development very high on the list of Africa's foremost challenges. Capacity development is central to Africa's economic transformation and its agenda to take ownership of its development programmes. Africa's agenda on capacity-building is guided by the Capacity Development Strategic Framework, adopted at the fourteenth ordinary session of the Assembly of the African Union, held in February 2010.

9.2 Globalization has provided African countries with ample opportunities to generate, synthesize, harness and utilize knowledge as a means of addressing the continent's development challenges. However, mutual learning depends to a great extent on how knowledge is situated within development plans and on absorptive capacity, including the systematic documentation of experiences to support continuous learning and improvement.

9.3 Scientific research capacity is weak in most African countries, not only in terms of human resources but also in terms of research infrastructure. Modern research is a very expensive enterprise. To address the human resources constraint and build capacity, African countries need to expand access to higher education. They also need to harness information and communications technology to expand their manufacturing sector, which relies heavily on learning-by-doing and innovation.

### **Desirable actions**

9.4 African Governments should:

- Commit to the exchange of experiences and expertise, knowledge transfer and technical assistance for capacity-building, which involves strengthening institutional capacity, including planning, management and monitoring capacities.
- Scale up efforts to enhance human resource development, including training, continuous learning and the building of research and development centres of excellence.

9.5 The international community should:

- Enhance technical and scientific cooperation through South-South, North South and triangular cooperation on the various aspects of sustainable development.
- Support African countries to enhance their capacity-building for better access and absorption of climate finance.

## **10. Trade and financing for development**

10.1 International trade plays a pivotal role in the financing of capital accumulation and represents one of the main sources of foreign earnings, even in aid-dependent low-income countries. Accordingly, the sustainability of a country's development trajectory, and hence the reduction of its aid dependency, cannot but hinge on an appropriate form of integration into the international trading and financial system.

10.2 Africa has increased remarkably its participation in international trade in the post-Monterrey period (i.e. 2002-2012): exports and imports expanded more than fourfold over that period, increasing the continent's share of world total trade from 2.1 per cent to 3.3 per cent.<sup>1</sup>

10.3 Despite the sharp rise of financial inflows to the African continent (especially in terms of foreign direct investment and remittance flows), international trade continues to play a pivotal role in generating net inflows of financial resources to cover the foreign exchange gap. With the notable exception of oil exporters, however, most African countries have continued to run structural deficits

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<sup>1</sup> Unless otherwise stated, all data referred to in this section of the paper are drawn from UNCTADSTAT database, consulted on 3-5

in their trade balance; accordingly, even during a boom phase, capital accumulation is largely covered by external financial resources.

10.4 With a view to enhancing the contribution of trade to Africa's transformation agenda, one of the strategic priorities for the continent is to strengthen its regional integration. Though still limited to 12-13 per cent of total (officially recorded) exports, intra-African trade is considerably more diversified than Africa's exports to the rest of the world. Manufactured goods, in particular, accounted for 40 per cent of total intra-African goods traded in 2010-2012, but only 13 per cent of total goods traded with the rest of the world (ECA and AUC, 2014). Moreover, in light of cost discovery and trade standard compliance procedures, proximate markets are likely to be easier to penetrate for African small and medium-sized enterprises than standard-intensive markets in developed economies. There are hence good reasons to believe that the regional markets may offer a broader scope to support Africa's structural transformation efforts.

10.5 The establishment of the continental free trade area could result in net trade creation, with a considerable boost (+52.3 per cent) to intra-African trade (Mevel and Karingi, 2012). If the establishment of the continental free trade area was complemented based on trade facilitation measures capable of doubling the efficiency of customs procedures and port handling, not only would Africa's exports expand further, with the share of intra-African trade reaching nearly 22 per cent, but the sophistication of African exports would also be further enhanced, with a significant expansion of trade in industrial products.

10.6 Moving to the multilateral sphere, given the persisting stalemate of the Doha Development Round, the "universal, rule-based, open, non-discriminatory and equitable multilateral trading system" called for in the Monterrey consensus (paragraph 26) remains unfinished business. Notwithstanding the conclusion of the Trade Facilitation Agreement at the Ninth Ministerial Conference of the World Trade Organization, held in 2013, Africa's strategic priorities remain largely unaddressed. This is true for the negotiations on agriculture – where distortions and restrictions in international markets remain to be redressed – and on non-agricultural market access, services and the strengthening of special and differential treatment (all issues included in the original Doha mandate). Even the "least developed countries package" negotiated in Bali –which was trumpeted as a response to Africa's strategic needs – remains basically a promise based on provisions that are not yet operational (as is the case with the "services waiver"), or on best-endeavour clauses (as in the cases of duty-free, quota-free market access, voluntary preferential rules of origin, and the cotton issue).

10.7 Looking ahead, since most African countries traditionally enjoy preferential market access in a number of developed and developing countries, they will inevitably have to cope with some degree of preference erosion, which could stem from completely exogenous trade liberalization processes. This is the case with "mega-regional" trade agreements, or the extension of duty-free, quota-free treatment for all least developed countries in markets where African countries benefit from a significant preference margin vis-à-vis other least developed countries (exemplified by the African Growth and Opportunity Act in the United States of America). Appropriate industrial policy frameworks can undoubtedly go a long way to support African producers, with the ensuing adjustment costs, but the international community could also facilitate this process through dedicated technical assistance and targeted aid for trade.

10.8 It is imperative for Africa to address not only the issue of preference erosion, but also those of tariff peaks and tariff escalation, which can have a significant downward impact on trade opportunities, given the typically narrow export base and limited value addition of the export basket. Over the longer term, additional "offensive interests" for Africa in multilateral trade negotiations may include the reduction and harmonization of non-tariff barriers; measures related to

environmental goods; the containment and management of the volatility of commodity prices in the context of the financialization of commodity markets; and issues related to competition, oligopolistic practices and dominant positions in global value chains.

### **Desirable actions**

10.9 African Governments should:

- Fast-track the establishment and implementation of the continental free trade area, with an ambitious scope and an actionable plan to swiftly establish a viable and integrated regional market and also tackle non-tariff barriers that are hampering intra-African trade.
- Leverage existing trade facilitation initiatives (including the implementation of the World Trade Organization Trade Facilitation Agreement) to reduce trade-related costs continental-wide, as part of the African Union action plan for boosting intra-African trade.
- Ensure the consistency of bilateral and multilateral trade agreements with Africa's regional integration agenda and, more fundamentally, with the development and transformation agenda of African countries.

10.10 The international community should:

- Bring to a successful conclusion the Doha Development Round, addressing in a fair and balanced manner Africa's strategic priorities, particularly in the area of agriculture, non-agricultural market access, services and special and differential treatment.
- Tackle Africa's specific concerns related to tariff peaks, tariff escalation and preference erosion.
- Address other emerging strategic priorities – whether or not they are included in the Doha mandate – such as the reduction and harmonization of non-tariff barriers; measures related to environmental goods; the volatility of commodity prices; and issues related to competition, oligopolistic practices and dominant positions in global value chains.

## **11. External debt**

11.1 A large volume of development finance, including external borrowing, is required for Africa's structural transformation. It should be underpinned by quality skills development, resilient health systems, improved agricultural productivity, infrastructure, industrialization, better regional integration and investment. Accountable and transparent public finance management needs to be in place to ensure that external debt finance is used for development projects that generate long-term social and economic returns.

11.2 Total external debt as a percentage of GDP has been declining in Africa since the Monterrey Consensus, particularly in the period from 2002 to 2008, thanks to debt relief, sustained GDP growth and economic expansion induced by the rebasing of GDP figures (see figure 3 in annex 1). Despite a declining trend in total foreign debt, net foreign debt in some countries is not negligible; mineral-rich and oil-importing countries in particular have positive net foreign debt (ECA, 2015d).

11.3 Africa's growth momentum, which is driven by public investment, is fueling the growing appetite for sovereign debt. Hence, fast-growing economies in Africa are moving towards market-based loans by issuing sovereign bonds in addition to seeking concessional loans. Accountability, effective use of borrowed funds and fiscal discipline will help to avoid any potential debt problems.

11.4 African sovereign debt losses may reach \$10.8 billion or 1.1 per cent of the region's GDP (ODI, 2015a; 2015b). Sovereign loans are riskier investment options, even if they have better terms relative to concessional loans. Changes in macroeconomic fundamentals, such as terms of trade (e.g. due to a collapse in commodity prices) can affect sovereign debt spreads significantly (Hilscher and Nosbusch, 2010). The existing arrangements on sovereign debt are driven by laws in advanced and powerful economies. In this regard, a global framework on sovereign debt restructuring is essential.

11.5 Although a sovereign debt restructuring mechanism was proposed by the International Monetary Fund more than a decade ago, there is still no international agreement on the topic to date. There is a general consensus that the existing rules are too creditor-friendly, but that a push for an international agreement that is too borrower-friendly might not be the best way forward. Any global agreement should therefore strike the right balance to be fair to both sides (ECA, 2015d).

11.6 Unsustainable debt levels might be an outcome of poor macroeconomic management and a feature of structural economic malfunctioning. Most African countries have benefited from instruments such as the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative owing to the sensible policies they have adopted. Continued sound management of the macroeconomic environment and sustained growth are therefore critical for debt sustainability. Also, resource-poor countries do not have the option of saving from a commodity price boom, and rely more on sovereign borrowing, making debt sustainability all the more crucial for them and their fiscal situation.

11.7 The recent Ebola crisis in West Africa reflected a debt crisis that had nothing to do with debt management. The crisis highlighted the need for better international frameworks based on shared responsibility, enhancing the processes for the cooperative restructuring of sovereign obligations and the introduction of specific contingencies in standard contracts and in intergovernmental lending instruments.

### **Desirable actions**

11.8 African Governments should:

- Adopt counter-cyclical fiscal policies during periods of commodity price booms and build foreign reserves in order to avoid future debt crises.
- Carefully weigh the mix of long-term bonds and other loans issued in local and foreign currencies with the aim of reducing their exposure to currency volatility risks; and make a commitment to audit their debt finance on a regular basis.

11.9 The international community should:

- Ensure that creditors share responsibility with sovereign debtors for resolving potential debt crises, in line with the Monterrey Consensus, and strengthen debt crises resolution based on fair and efficient standards that respect the shared responsibility of the creditors and debtors.

- Implement General Assembly resolution 69/247 as a priority in order to establish a multilateral legal framework for sovereign debt restructuring that ensures the stability of the international financial architecture.
- Ensure that any potential debt relief does not lead to a reduction in official development assistance or in aid allocations by donors.

## **12. Systemic issues**

12.1 The 2008 financial and economic crisis highlighted the importance of forging a global consensus to address systemic issues, such as global imbalances in monetary systems, capital flow management and other measures that might trigger future crises and jeopardize resources for sustainable development financing.

12.2 As articulated in the report of the Intergovernmental Committee of Experts on Sustainable Development Financing to the sixty-ninth session of the General Assembly, an enabling global environment includes active global cooperation to remove the sources of international financial volatility, while striving to reduce global fragility. Other actions include completing ongoing reform processes of development banks and the International Monetary Fund, deepening international cooperation on taxes and illicit flows, regulating banks and shadow banking systems and strengthening the means for cooperatively resolving sovereign debt difficulties.

12.3 Policy coherence is a key to ensuring that the mobilization of resources matches the objectives of sustainable development and greater financial stability. In this context, the focus in the Monterrey Consensus and the Doha Declaration on building stronger bridges between development, trade and finance should be expanded to take into account the critical challenges of climate change, food security, migration and security. In this context, it is important to recognize the special attention paid to gender-sensitive, people-centred development in the Monterrey Consensus.

### **Desirable actions**

12.4 African Governments should:

- Ensure effective coordination between African countries on monetary policy, with the objective of limiting exchange rate fluctuations among the key reserve currencies and addressing the volatility of private capital inflows.
- Make a commitment to strengthen institutional capacities in order to deal decisively and effectively with private sector practices that facilitate tax evasion, to and bolster international measures against corruption at the national, regional and international levels.
- Make a commitment to increase Africa's representation in institutional and legal forums of the global financial architecture, including relevant ad hoc groupings, and to promote the active development and reinforcement of complementary financial governance mechanisms.
- Make a commitment to mainstream the gender perspective into development policies at all levels and in all sectors.

## 12.5 The international community should:

- Make a commitment to strengthen and deepen international cooperation on taxation and to curb illicit financial flows, including by pursuing mutually beneficial cooperation between source and destination countries in order to facilitate asset recovery and repatriation.
- Make a commitment to and set targets for establishing a fair global financial architecture to better ensure macroeconomic policy coordination and coherence, and resilience to global shocks, including strengthening the use of Special Drawing Rights in the global reserve system and allowing developing countries to use their foreign exchange surplus to finance their sustainable development strategies.
- Make a commitment to and set targets for facilitating broader representation of African countries in all international dialogues and decision-making processes, particularly those underpinning the work of multilateral financial institutions, including the International Monetary Fund, and improving the framework for sovereign debt restructuring to encourage fair burden-sharing.
- Make a commitment to and set targets for sustained and coordinated action to ensure coherence in the different components of sustainable development agreements and policies that are negotiated in different forums and implemented by different institutions.

## 13. Monitoring and evaluation

13.1 A critical weakness of the Monterrey Consensus and the Doha Declaration was the lack of a monitoring and evaluation system which would enable countries to establish a baseline for their resource mobilization efforts and develop a mechanism to track improvements and the extent to which resources were channelled to key areas, such as those specified in the Millennium Development Goals.

13.2 Despite an exponential increase in the volume and types of data collected, statistics on financial flows and investment are largely based on decentralized providers, are often incomplete, and in some cases are not publicly available.

13.3 A number of recent reports, including those of the Secretary General's High-level Panel on Global Sustainability and the OECD Better Life Initiative, have concluded that a broader range of welfare indicators should be used to measure progress in sustainable development.

13.4 It is therefore necessary that the new financing for development framework be supported by a robust and responsive framework for periodic monitoring and evaluation, and the production of timely data, with realistic and ambitious targets and specific commitments to leverage technical assistance in this regard.

### Desirable actions

#### 13.5 African Governments should:

- Make a commitment to and set targets for building national statistical capabilities in data collection and the use of mechanisms for tracking sustainable development activities.

- Call on the African Union Commission, the Economic Commission for Africa and the African Development Bank and other stakeholders to establish a platform for the sharing of experiences among African countries, with a view to facilitating the monitoring and analysis of the impact of financial flows and the achievement of targets for financing for development and the sustainable development goals; and follow up on the recommendations of the Third International Conference on Financing for Development.

13.6 The international community should:

- Make a commitment to and set targets for capacity-building and financial support for the provisions included in technical cooperation agreements with African countries concerning the collection of high-quality, timely and reliable data.
- Make a commitment to and set targets for coordinated efforts to improve the monitoring of key sustainable development goals, official development assistance flows and their impact, and financing for development flows, with data disaggregated by sector, geographic location and type.

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## Annex 1

Figure 1  
Tax by level of development

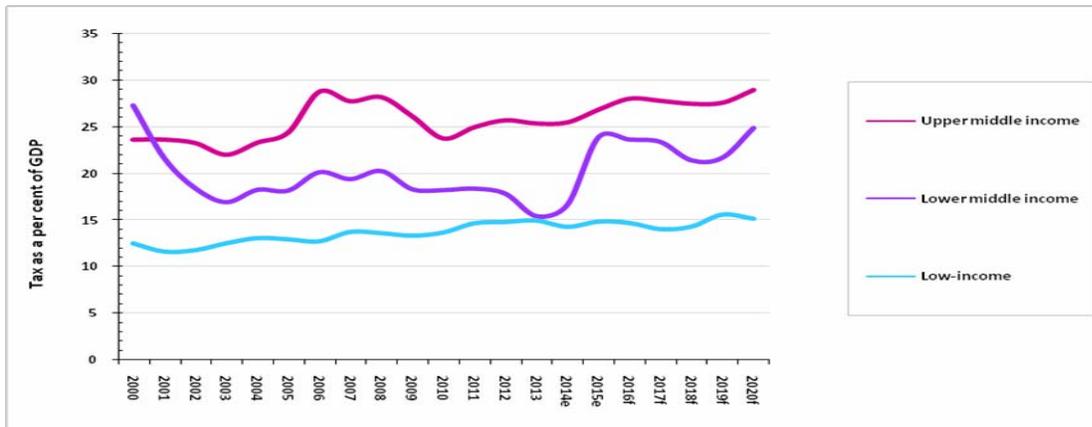


Figure 2  
Domestic savings by level of development

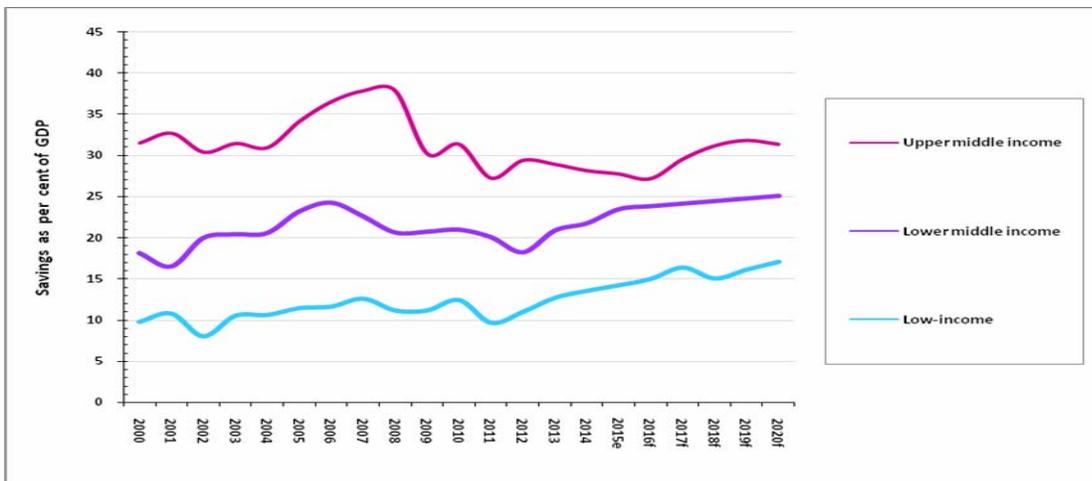


Figure 3  
External debt by the level of development in Africa (N=50)

