



**UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL
ECONOMIC COMMISSION FOR AFRICA**

Thirty-first meeting of the Committee of Experts

Meeting of the Committee of Experts of the 5th Joint
Annual Meetings of the AU Conference of Ministers of
Economy and Finance and ECA Conference of African
Ministers of Finance, Planning and Economic
Development

Addis Ababa, Ethiopia
22–25 March 2012



**AFRICAN UNION
COMMISSION**

Seventh meeting of the Committee of Experts



Distr.: GENERAL

E/ECA/COE/31/10
AU/CAMEF/EXP/10(VII)
10 February 2012

Original: ENGLISH

Financing for development: A progress report on the implementation of the Monterrey Consensus

I. Introduction

1. The Monterrey Consensus on Financing for Development, agreed by heads of State and government at the International Conference on Financing for Development in 2002, set out key targets for development financing in six core areas. These are: mobilizing domestic financial resources for development; mobilizing international resources for development; promoting international trade as an engine of development; increasing international financial and technical cooperation for development; sustainable debt financing and external debt relief; and addressing systemic issues such as enhancing the coherence and consistency of the international monetary, financial and trading systems. However, a decade after its adoption, evidence indicates that the vast majority of African countries will not meet the internationally agreed development goals, including the Millennium Development Goals (MDGs), if current financing trends continue. A key question confronting policy makers and the international development community is to what extent the objectives of the Monterrey Consensus have been achieved.

2. This report assesses the progress that Africa and its development partners have made towards achieving the targets in the above-mentioned areas, and proposes broad policy options for improving Africa's development finance framework in each of them. It builds on previous similar reports for the African Union (AU) Conference of Ministers of Economy and Finance and United Nations Economic Commission for Africa (ECA) Conference of African Ministers of Finance, Planning and Economic Development. The report looks at Africa's performance within the context of the ongoing global financial and economic crisis, as well as the European debt crisis. The approach used consists of tracking trends in key macroeconomic and financial variables since Monterrey, and comparing their performance over the last decade against targets set under the Monterrey and subsequent related international commitments.

Key messages and policy implications

3. The key message of this report is that Africa has made some progress towards achieving the Monterrey Consensus, but needs to do more to make growth more sustainable and more inclusive. This progress is broadly reflected in the continent's growth performance. Until the onset of the global financial and economic crisis, the continent grew consistently above the global average, and weathered the impact of the global crisis very well. However, while this performance is much better than in the decade before Monterrey, it is still below the average 7 per cent growth deemed necessary to meet the MDGs, and it has not translated into more jobs and poverty reduction.

4. There has been mixed progress in realizing the specific goals of the Monterrey Consensus. Whereas substantial progress has been recorded in international resource mobilization and external debt relief, in contrast, performance in domestic resource mobilization, development assistance, international trade and addressing systemic issues has been too slow to meet the set targets. Moreover, the fragility of the global economic environment since the onset of the global financial and economic crisis threatens to reverse the progress that has been made.

5. In the first of the two areas where substantial progress has been recorded, international resource mobilization, private capital inflows to Africa have significantly increased over the last decade, but could be improved further to capture a much larger proportion of global flows and help reduce the continent's financing gap. There is therefore a need for African countries to continue implementing more market-friendly structural and regulatory reforms that enhance the ease of doing business so as to attract more diversified and growth-enhancing foreign private capital. Further, strengthened cooperation between African governments and development partners could help curb illicit financial outflows from Africa, estimated at an annual average of \$ 50 billion.

6. The other area of substantial progress is sustainable debt financing and external debt relief. Africa's external debt burden fell significantly from 66 per cent of gross national income in 2000 to 23 per cent by 2009, largely as a result of two initiatives, the Heavily Indebted Poor Countries (HIPC) initiative and the Multilateral Debt Relief Initiative (MDRI). However, the global crisis has led to a worsening of debt ratios and threatens to reverse the debt sustainability efforts made thus far. African countries and their development partners should therefore continue to work hand in hand to enhance their technical and operational capacities for debt management and sustainability and assist those countries that have not yet reached the HIPC initiative completion point.

7. We now turn to the four areas where progress has been slow. On domestic resource mobilization, tax revenues have not risen significantly to meet the pressure faced by governments to mitigate the impact of the crisis through increased expenditure. Similarly, gross savings and investment trends have been consistently below the suggested levels required to finance the MDGs. There is therefore a need for African countries to enhance the efficiency of their tax systems, and to deepen as well as broaden their financial systems in order to encourage private savings.

8. The second area of poor performance is that of inflows of official development assistance (ODA), which, though they have increased since 2002, have fallen short of donor commitments. Further, the recent global financial crisis has underlined the significant exposure of African countries to external shocks owing to their heavily reliance on existing sources of finance. There is need for Africa and its development partners to ensure that international commitments on ODA are met and that funds are provided in a sustained and predictable manner. The Fourth High-Level Forum on Aid Effectiveness, which recently concluded in Busan, Republic of Korea, provides an opportunity to move the development agenda towards a broader and more inclusive framework.

9. The third area of poor performance is in international trade. Although Africa's participation in global trade increased between 2000 and 2010, it still remains undiversified and constitutes a very small percentage of the total. African countries therefore need to take further steps to improve the competitiveness of exports through diversification and higher value addition, while also consolidating regional integration. Development partners also need

to take action to remove trade-restrictive measures and keep their markets open. There is also an urgent need to bring the Doha Round to a balanced and ambitious conclusion and enhance the relevance of the Aid for Trade initiative in increasing the capacity of African countries to participate more profitably in the multilateral trading system.

10. Finally, on systemic issues, progress has likewise been very limited. African countries remain underrepresented in the decision-making organs of international institutions. Efforts should therefore be made by the international community to increase the voting power of African countries at the Bank for International Settlements, the International Monetary Fund (IMF), the World Bank and the World Trade Organization.

11. Two key developments in the post-Monterrey era that have significantly reshaped the landscape of development finance, and which cut across all the six areas identified, are South-South cooperation and innovative financing mechanisms. They provide opportunities for African countries to expand their sources of development finance, and should thus be fully incorporated in the new global development cooperation framework.

12. In conclusion, while considerable progress has been achieved in two of the six areas, the global crisis has impacted negatively on progress in all of them, leading to a serious rethink of the current global architecture for development finance. It is therefore incumbent upon all stakeholders to ensure that the Monterrey objectives and subsequent related international commitments are met.

II. Assessment of progress

Post-Monterrey economic performance remains insufficient to reach the MDGs

13. Africa's growth performance since the turn of the century has been strong and remarkable. Until the outset of the global economic crisis, economic growth had averaged 5 per cent a year for a decade. The region's output rebounded from the effects of the global crisis and grew by about 5 per cent in 2010, partly thanks to prudent macroeconomic policies during the crisis. This strong growth has been due to improved macroeconomic management, continued demand and high prices for commodities and improved political stability. However, economic growth slowed sharply in 2011, primarily as a result of social and political instability in some North African countries. However, the remaining countries sustained strong growth momentum (see table 1 and figure 1 below). Preliminary data indicate that economic growth is set to recover strongly in 2012 and in the immediate period ahead, premised on a return to political stability in North Africa as well as global economic recovery from the current slowdown and debt crisis.

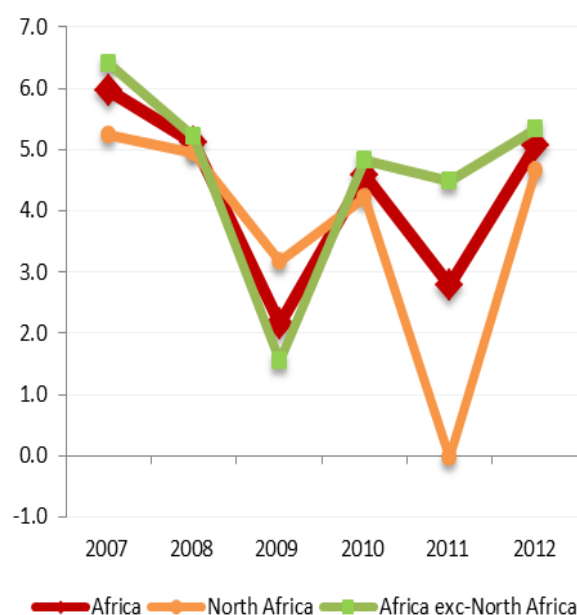
Table 1: Real growth rates in gross domestic product

	Average growth in the post-Monterrey period (2002-2011)	Trend in recent years		
		2009	2010	2011
World	-2.3	4.0	2.8	-2.2
Developing countries	6.0	2.5	7.5	6.0
Africa	4.9	2.2	4.6	2.8

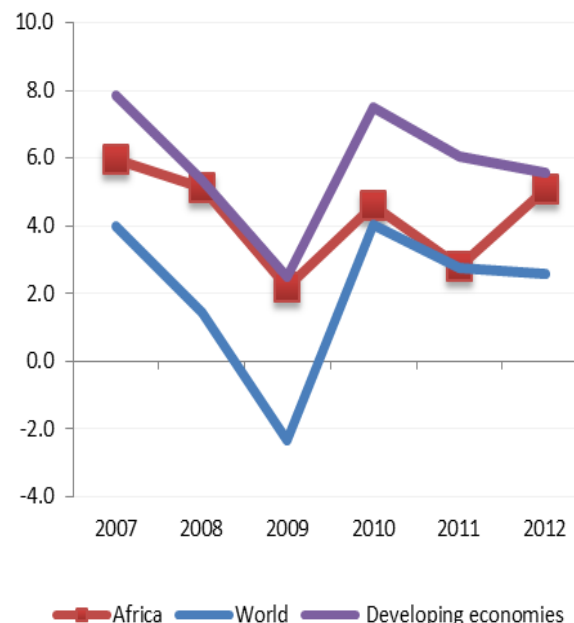
Source: United Nations Department of Economic and Social Affairs, online database, November 2011.

Figure 1: Africa's economic growth, 2007-2012 (per cent)

North Africa dragged down Africa's growth



Africa and the world: Africa's slowdown is in consonance with the global economic slowdown



Source: ECA Economic Report on Africa, 2012 (forthcoming).

14. However, this growth performance is still below the average 7 per cent growth deemed necessary to meet the MDGs. Furthermore, the improvement in growth has not been translated into progress in the ultimate objective of job creation and poverty reduction. Consequently, more effort is needed to accelerate growth that is more sustainable and inclusive.

Private capital flows, particularly foreign direct investment (FDI), have increased significantly in the post-Monterrey period, but the global crisis and political developments in North Africa continue to dampen this progress

15. Some progress has also been made in the mobilization of international resources for development. FDI has increased significantly in the post-Monterrey period, although the global crisis has dampened this increase. FDI inflows to Africa are estimated to have increased from 0.7 per cent to 4.5 per cent of global FDI flows between 2000 and 2010. However, the recent global financial crisis underlined the significant exposure to external shocks that African countries face when they rely heavily on the existing sources of external development finance and the need to find other more sustainable, predictable and complementary sources. Following the 2008 global crisis, inflows to Africa have declined from a decade-high level of \$ 73.4 billion to \$ 60.2 billion and \$ 55 billion in 2009 and 2010 respectively. Other developing regions performed considerably better, leading to a fall in Africa's share of FDI inflows among developing countries from 12 per cent in 2009 to 10 per cent in 2010 (United Nations Conference on Trade and Development, 2011). Table 2 shows inflows of FDI to Africa since 2005.

Table 2: Flows of foreign direct investment to Africa, 2005-2010 (billions of United States dollars, current)

	2005	2006	2007	2008	2009	2010
Africa	38.2	46.3	63.1	73.4	60.2	55.0
North Africa	12.2	23.1	24.8	24.0	18.5	16.9
Central Africa	2.7	3.1	6.0	4.4	5.4	8.0
West Africa	7.1	6.9	9.5	12.7	12.7	11.3
Southern Africa	14.7	10.5	18.8	28.6	20.0	15.1
Eastern Africa	1.4	2.6	4.1	3.7	3.6	3.7

16. Preliminary FDI data for the first quarter of 2011 showed a year-on-year drop of 67 per cent in the region (United Nations Conference on Trade and Development, 2011). The decrease in FDI at the global level has mainly affected Europe and the United States; however, the impact on Africa is large and potentially detrimental to economic development. As a large share of FDI is directed towards the extractive sector, investment was also constrained by the sharp drop in commodity prices in late 2008 and early 2009. Future developments in FDI flows therefore depend largely on the dynamics in commodity prices.

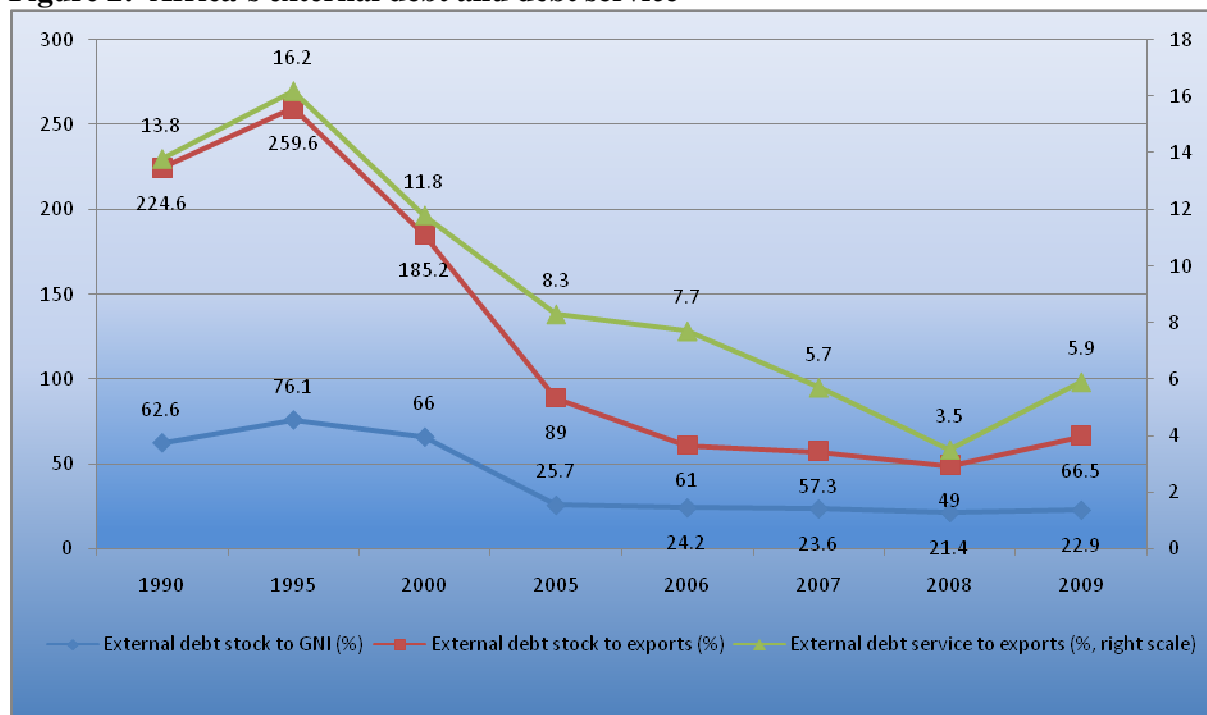
17. African countries need to address two key issues to improve the continent's FDI attractiveness and its contribution to employment generation and poverty reduction. First, there is a need to put in place strategies to diversify investment away from the extractive sector to value-adding industries like manufacturing and services (e.g. telecommunications and financial services). Second, there is a need to implement more market-friendly structural and regulatory reforms that enhance the ease of doing business. Some possible reforms include further opening up the trade and investment regimes, improving labour laws and regulations governing access to land and improving the access and quality of education to enhance the countries'

capacity to absorb technology. Lastly, there is a need to consolidate regional integration in order to create a critical mass in terms of a competitive labour force and consumers and free the movements of goods, services and people.

Africa has made substantial progress in its ability to keep debt to sustainable levels, but the global crisis threatens the continent's debt sustainability

18. Africa's external debt burden has declined significantly since 2002, especially following the HIPC initiative and the MDRI, but more needs to be done to avoid a return to unsustainable debt levels. Total external debt stock as a share of gross national income declined from 66.0 per cent in 2000 to 22.9 per cent in 2009, which is well below the 50 per cent sustainability threshold indicator. As a share of export earnings, total debt also declined from 185.2 per cent to 49.0 per cent between 2000 and 2008, before rising to 66.5 per cent in 2009 as a result of the impact of the global crisis on Africa's export performance. Improved macroeconomic management in many African countries and the HIPC initiative, the MDRI and the Paris Club's Evian Approach for non-HIPC countries' debt relief initiatives largely contributed to this fall. However, debt has been increasing since 2007, reaching \$ 301 billion in 2009 (see figure 2).

Figure 2: Africa's external debt and debt service



Source: United Nations Economic Commission for Africa and Organization for Economic Cooperation and Development, *Mutual Review of Development Effectiveness, in Africa* (2011).

19. African countries and their development partners need to address three key issues in order to improve the continent's debt profile further. First, they should continue to work hand in hand to enhance their technical and operational capacities for debt management and

sustainability. Second, the remaining countries that have not reached the HIPC initiative completion point should sustain efforts to reach completion. Lastly, Development Partners should ensure that eligible countries get full debt relief from all their creditors and discourage lawsuits against HIPCs by non-Paris Club creditors.

Mobilizing domestic financial resources remains a challenge in most African countries

20. African countries have made significant efforts to mobilize both public and private savings, although the results in this regard still fall below expectations. Tax revenue still stands at less than 15 per cent of gross domestic product (GDP) for a quarter of African economies, while most governments have been under pressure to increase public expenditure to respond to the global crisis. Similarly, while gross domestic savings in Africa reached a decade-high level of 24.2 per cent of GDP in 2006, they had declined to 19.8 per cent by 2010, which is much lower than in other developing regions like developing Asia (44.9 per cent). However, these increases have not been significant enough to close the continent's financing gap, and have been heavily impacted by the global crisis. There are also huge subregional variations in savings and investment rates (see table 3). The stagnation in these two indicators over the past 20 years is due to the poor development of the financial system. This has led to lack of access to financial services by majority of the populace, resulting in insufficient access to long-term capital and low use of financial institutions as vehicles for savings mobilization, thus ultimately exacerbating Africa's financing gap.

Table 3: Gross domestic savings and gross capital formation in Africa by subregion

	1990	1995	2000	2005	2006	2007	2008	2009	2010
<i>Gross capital formation (percentage of GDP)</i>									
East Africa	16.0	16.1	16.5	19.9	20.6	22.4	23.3	24.3	18.3
West Africa	6.9	9.5	6.9	7.2	5.8	5.6	4.9	5.3	5.4
Central Africa	17.4	19.2	21.4	23.1	22.0	23.7	16.7	21.5	12.8
Southern Africa	18.5	18.4	17.1	17.3	18.8	20.2	21.1	19.0	23.1
North Africa	25.3	21.5	21.3	24.0	25.1	28.1	29.2	26.0	15.5
<i>Gross domestic savings (percentage of GDP)</i>									
Eastern Africa	8.2	7.9	6.8	7.4	5.6	7.7	6.9	9.6	6.6
West Africa	4.4	7.5	4.2	3.8	3.3	2.2	1.7	3.5	3.3
Central Africa	21.5	26.6	36.3	43.1	43.0	43.1	38.0	27.0	19.4
Southern Africa	22.6	17.9	19.8	19.2	21.5	22.4	22.6	17.5	23.2
North Africa	21.7	18.3	24.3	32.9	36.5	36.8	37.9	22.3	10.9

Source: ECA calculations based on *World Development Indicators 2011* (Washington, World Bank, 2011).

21. With regard to public savings, African governments have improved their revenue collection efforts. Tax revenue as a percentage of GDP has been increasing since the turn of the century, although the recent global financial and economic crisis has derailed this progress. Total Government revenue as a percentage of GDP significantly improved from less than 20 per cent in the 1993-2001 period to 27.9 per cent by 2008, before moderating to 27.5 per cent in 2010, owing to reduced domestic and international demand that depressed both production

and direct trade tax revenues. However, as stated above, tax revenue for a quarter of African economies still stands at less than 15 per cent of GDP.

22. Some constraints need to be addressed in order to improve efficiency in the collection of public revenue. The African Economic Outlook 2010 identified three such constraints. First, there are various structural bottlenecks obstructing the tax revenue mobilization mechanisms of most African economies. These include a very large informal sector which accounts for 30-70 per cent of GDP, a lack of fiscal legitimacy and huge administrative capacity constraints especially in the revenue-collecting agencies. Second, the already shallow tax base is eroded further by excessive granting of tax preferences, inefficient taxation of extractive activities and an inability to fight abuses of transfer pricing by multinational enterprises. Lastly, the tax mix in many African countries is unbalanced, relying excessively on a narrow set of taxes to generate revenues.

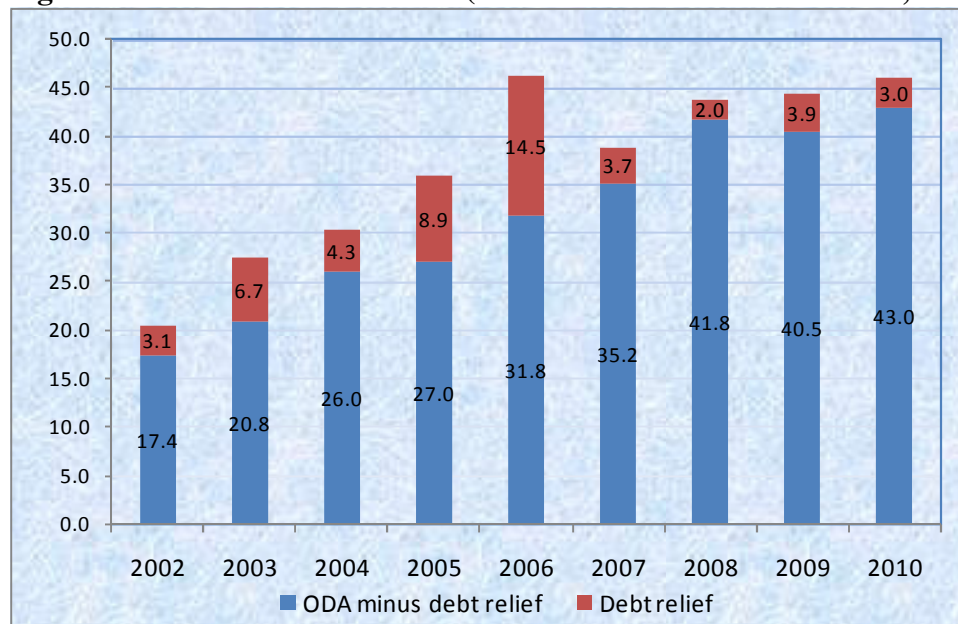
23. Several policy options have been proposed to address the above constraints and thus widen and deepen the tax base. These include eliminating tax preferences, improving transparency and fairness in negotiating concessions with multinational corporations and formalizing the informal sector. Further, there is a need to improve the efficiency of national tax systems by moving towards taxes that are flat, simple and broad-based. Thus, countries must begin to focus more on value-added tax to replace turnover and sales taxes; they must also minimize their reliance on trade taxes. However, the tax reforms need to be systematically sequenced in tandem with other economic reforms like trade reforms to ensure internal consistency as well as avoid short-to-medium-term negative impacts on public revenues.

24. As regards private savings, financial markets remain underdeveloped. The banking system in Africa remains shallow and lacks adequate financial products to attract private savings, as a large proportion of Africa's population is under banked or unbanked. Capital market development, strengthening of microfinance institutions, better governance, elimination of capital flight and measures to reduce the impact of trade liberalization on government revenue are identified as critical to boosting domestic savings in the region.

Aid quantity and effectiveness has improved but is still lagging behind commitments

25. ODA flows to Africa have increased significantly since 2002, but have fallen short of donor commitments. Total ODA inflows, excluding debt relief, increased in nominal terms from \$ 17.4 billion in 2002 to \$ 46.0 billion in 2010 (see figure 3). However, the total quantity falls below the commitments that development partners made in the context of both the Monterrey Consensus and the Paris Declaration on Aid Effectiveness. Under the Monterrey Consensus, developed countries committed to increase ODA to 0.7 per cent of GDP, with an additional 0.15-0.2 per cent to support the least developed countries. By 2010, ODA from most of the developed countries had not yet reached this level. Similarly, the Paris Declaration implied that ODA flows to Africa would increase to \$ 64 billion by 2010. In practice, Africa has received only around half of the increase implied by the 2005 commitments, partly as a result of lower global ODA outturns compared with commitments and partly owing to Africa's lower than anticipated share of the global increase.

Figure 3: ODA inflows to Africa (billions of United States dollars, nominal)



Source: Development Assistance Committee of the Organization for Economic Cooperation and Development.

26. As far as improving the quality and effectiveness of aid is concerned, progress on most of the commitments has been slow. Following Monterrey, specific commitments on aid effectiveness were made, including the Rome Declaration on Harmonization (2003), the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008). In particular, the Paris Declaration established five principles forming a global framework for development assistance and committed developing countries and donors to specific actions to improve the effectiveness of aid utilization. The five principles include country ownership, alignment, harmonization, managing for results and mutual accountability. Improving the quality of aid also means ensuring that funds are provided on a multi-year basis and in a planned, sustained and predictable manner, thus reducing aid volatility. In practice, a 2008 survey by the Organization for Economic Cooperation and Development (OECD) showed that while progress has been made on the untying of aid, the other areas of aid quality and effectiveness have recorded slower progress or even backsliding.

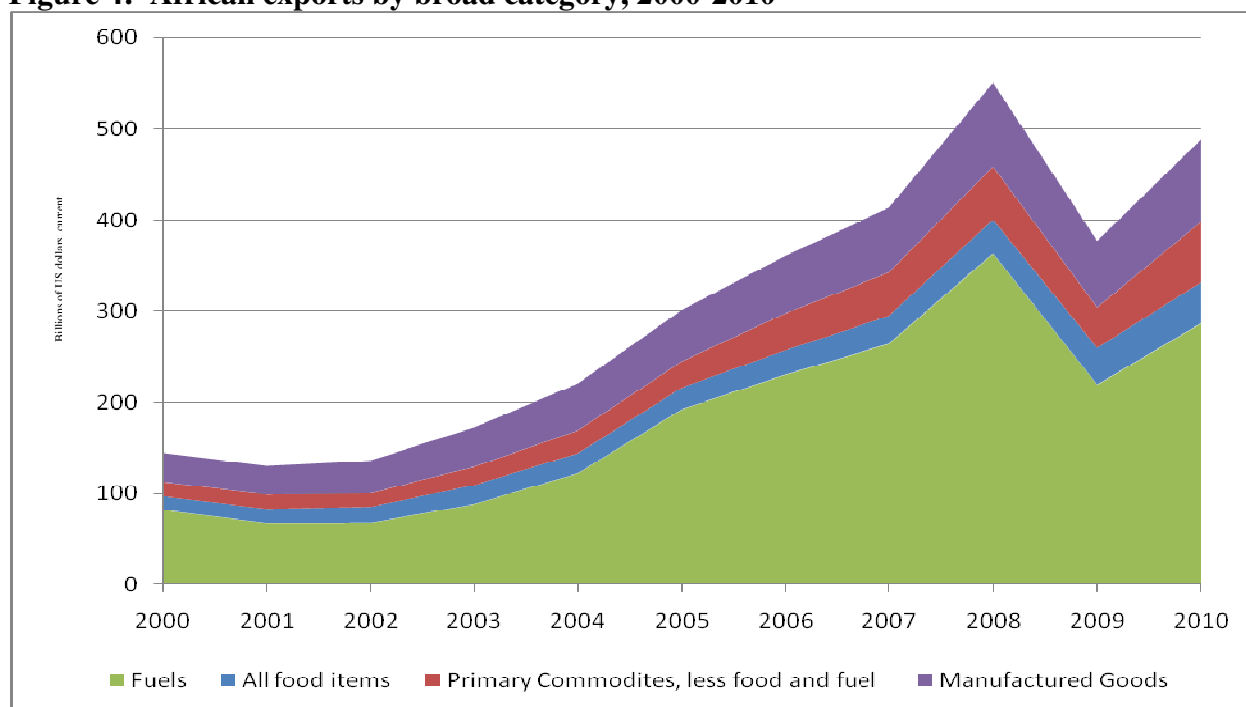
27. In going forward, several policy steps need to be undertaken to improve the quantity, quality and effectiveness of ODA. First, since ODA constitutes a significant proportion of the fiscal budget for many African countries, governments must plan to cushion themselves against future reductions in ODA that may come as a result of fiscal austerity measures and dampened growth prospects in donor countries. Second, in line with the various international commitments, including those adopted at Busan, both African governments and their development partners should ensure that funds are provided in a planned, sustained and predictable manner over a number of years. Third, African governments need to enhance the ownership of their development programmes, including setting development priorities as well as implementing donor-supported programmes to apply those priorities in an efficient manner. This can be done by providing effective leadership and developing capacity in coordinating

and harmonizing donor activities. Lastly, and within the context of the Busan commitment to make use of country systems as the default approach for development, host governments and development partners should take immediate and concrete steps to strengthen public financial management and procurement systems.

Progress in international trade is too slow to make it an effective engine of Africa's development

28. Africa's share of global trade has increased marginally since 2002. Its share of world exports increased from 2.3 per cent in 2000 to 3.2 per cent in 2010. Figure 4 illustrates the growth in the value of exports of goods and services from Africa. Despite the increase in the growth of exports, the region's share in global trade remains low, with little progress made in improving its international trading environment. Moreover, Africa's merchandise trade remains undiversified, in both portfolio mix (figure 4) and destination. Agriculture, mining and fuel products constitute at least 80 per cent of Africa's total exports. Most of these are exported to Europe and North America, with China increasingly becoming an important trading partner.

Figure 4: African exports by broad category, 2000-2010



Source: ECA, *Economic Report on Africa 2012* (forthcoming).

29. As many of Africa's natural resource exports face rising global prices and growing demand from new trade partners, an opportunity exists to harness trade to close the financing gap. While African governments should lessen their reliance on export taxes, rising global prices will allow modest export taxes to provide additional revenue. This will also facilitate the lowering of taxes on important new exports such as manufactured goods. However, care must

be taken to ensure that this external financing does not depend too greatly on extractive industries.

30. Given the unstable demand from traditional trading partners, the available alternatives are intra-African trade and trade with new partners. In this regard, economic integration through regional economic communities can encourage this trade. For example, a levy of 0.5 per cent on imports in the Economic Community of West African States from outside the bloc presents a good example of how a subregional policy can promote intra-bloc trade while also generating a harmonized source of income through levies. Such communities will also facilitate harmonization among national financial institutions, and thereby continental resource mobilization.

31. Supply constraints and lack of market access are considered the key factors limiting Africa's export growth potential. Countries should therefore take measures to address obstacles to export promotion such as poor infrastructure and lengthy customs procedures that increase transaction costs. These must be complemented by measures at the international level such as the provision of stable and adequate funding for trade capacity-building.

32. To improve the significance of trade as the engine of development, African policymakers need to take further steps to enhance their competitiveness and the resilience of export performance through export diversification, encouragement of value-added products rather than primary commodities and deepening regional integration. Development partners also need to take action to remove trade restrictive measures and keep their markets open. At the international level, there is an urgent need to bring the Doha Round to a balanced and ambitious conclusion and enhance the relevance of the Aid-for-Trade initiative in increasing the capacity of African countries to participate more profitably in the multilateral trading system.

Progress on reforms to promote Africa's voice and representation in the governance of global economic, financial and trading systems has been slow

33. The 2007-2009 global financial and economic crisis revealed weaknesses in the current international financial architecture and prompted increased calls for reforms in the system. A key weakness in the system has been the fact that although developing countries in general, and Africa in particular, are increasingly affected by the global financial and economic shocks, they remain highly underrepresented in the global economic and financial policymaking structures and institutions. Specifically, Africa has been insufficiently represented in international organizations such as IMF, the World Bank, the World Trade Organization, the Bank for International Settlements and the G-20, which make decisions on issues that have serious economic implications for the region.

34. In line with the Monterrey Consensus, the reforms in the international financial architecture should be carried out speedily and in ways that sufficiently reflect the changing global and regional economic and financial dynamics over the past four decades. The Monterrey Consensus underlines the need for an improvement in global economic governance

of international institutions, as well as policy and programme coordination. It recognizes the urgent need to enhance the coherence, governance and consistency of the international monetary, financial and trading systems in support of development. Africa must ensure that its own special circumstances and priorities are taken into account and provide both short-term and long-term reform solutions. In the immediate term, African countries should push for the full implementation of all the commitments to Africa made at the various G-20 summits in a number of areas, namely, increased resources from the international financial institutions to Africa; increased African participation in the design of international financial policies (e.g. financial sector supervision and regulatory frameworks, enhanced representation on the Financial Stability Board); increased voice and representation on the boards of IMF and the World Bank, and approval (by the Development Committee) of an additional seat for sub-Saharan Africa on the Bank's Board. As the G-20 has become the primary decision-making body in the global economic and financial system, there is a need for Africa to have permanent representation, in addition to South Africa, which has a seat in its own capacity as an emerging economy.

35. The recently concluded Fourth High level Forum on Aid effectiveness in Busan provided an opportunity to move the development agenda towards a broader and more inclusive framework, involving not only traditional donors (in the OECD Development Assistance Committee), but also emerging partners from the South as well as parliamentarians and local authorities, civil society and the private sector. In this context, African countries and development partners should seize the opportunities to resituate aid in a broader development context, in the light of the global financial crisis, and develop capacity for domestic resource mobilization, while ensuring the full involvement and participation of an empowered private sector.

Key developments since Monterrey: South-South cooperation and innovative financing mechanisms

36. Two key developments in the post-Monterrey era that have significantly reshaped the landscape of development finance and which cut across all the six areas covered by the Monterrey Consensus are South-South cooperation and innovative financing mechanisms. South-South and triangular cooperation is becoming increasingly prominent in many of the core areas of the Monterrey Consensus, and is providing Africa with new and additional sources of development finance and a stronger partnership in international development cooperation. Africa and its development partners should therefore ensure that international agreements on enhancing the role of South-South and triangular cooperation are operationalized. In particular, there is an urgent need for African countries to fully and transparently integrate the cooperation into their overall development strategies and to strengthen local and national capacities to engage effectively with their partners in the South.

37. Similarly, several innovative mechanisms tapping on both public and private sources of finance have received increased focus and attention, and have been implemented in some jurisdictions, since they provide opportunities for African countries to expand their sources of development finance. African governments can therefore play a crucial role to ensure that the

huge potential market for new sources of development is exploited. Most of the suggested innovative mechanisms rely on building the confidence of the private sector to participate in this market. Governments therefore need to be in the forefront in: developing and encouraging the market for these instruments where there is clear market failure (e.g. through provision of partial guarantees or securitization of future public financial flows); providing an appropriate legal and policy environment that will encourage market development and deepening; and ensuring that the new mechanisms do manage macroeconomic and debt sustainability risks.

III. Conclusion

38. The continent has recorded a strong economic performance in the post-Monterrey period, although the global financial crisis and the Eurozone crises present key external risks to further this progress. African countries still face the challenges of achieving and sustaining higher growth rates, as well as translating the growth into more jobs, poverty reduction and ultimately human development. While the availability of finance is not on its own a sufficient condition to meet the continent's development challenges, it is also clear that without it, the development agenda of African economies will be difficult to attain. Thus, African countries need to mobilize more domestic and international resources by enhancing performance in each of the six core areas of the Monterrey Consensus. It is therefore incumbent upon all stakeholders involved in Africa's development agenda and its financing strategies to ensure that the Monterrey objectives and subsequent related international commitments are achieved.

39. Successful implementation of the Monterrey Consensus (and other international commitments for development cooperation) also critically requires a comprehensive monitoring and evaluation framework that systematically tracks progress made towards achieving the goals and commitments. Thus the recent institutionalization of an African Ministerial Conference on Financing for Development and the establishment of an African Partnership Forum as well as an African Progress Panel are important steps taken by African leaders and the international community to monitor progress in the implementation of key commitments on development finance.

References

United Nations (2002). Monterrey Consensus of the International Conference on Financing for Development. A/CONF.198/11.

Organization for Economic Cooperation and Development (2005). *Paris Declaration on Aid Effectiveness*. Available from www.oecd.org/dataoecd/11/41/34428351.pdf.

Organization for Economic Cooperation and Development (2011). *Busan Partnership for Effective Development Cooperation*. Available from www.oecd.org/dataoecd/54/15/49650173.pdf.

United Nations Conference on Trade and development (2011). World Investment Report 2011. Sales No. E.11.II.D.2.

United Nations Economic Commission for Africa (2007). *The Monterrey Consensus and Development in Africa: Progress, Challenges and Way Forward*.

United Nations Economic Commission for Africa and African Union (2008). *Economic Report on Africa 2008: Africa and the Monterrey Consensus: Tracking Performance and Progress*. Sales No. E.08.II.K.3.

United Nations Economic Commission for Africa and African Union (2012). *Economic Report on Africa 2012: Unleashing Africa's potential as a Pole of Global Growth*. Forthcoming.

African Development Bank and Organization for Economic Cooperation and Development (2010). *African Economic Outlook 2010*.

United Nations Economic Commission for Africa - Organization for Economic Cooperation and Development, 2011. *The Mutual Review of Development Effectiveness in Africa: 2011 Interim Report*.