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Le développement de l'Afrique

The Development of Africa

Making Development Work in Africa: Our Common Interest

Sir Nicholas Stern *

Summary

The "lecture" on 18th November 2005 at Université de la Méditerranée for IDEP was based on the extended text which follows. The paper is written in a personal capacity and does not necessarily reflect the views of the Cabinet Office, Her Majesty's Treasury or Her Majesty's Government more generally. Most of the arguments, including the figures and the data, are drawn from "Our Common Interest: the Report of the Commission for Africa" published in March 2005 and available on http://www.commissionforafrica.org/. That source can also be consulted for further references. "Africa" here generally refers to sub-Saharan Africa unless the broader context of Africa as a whole is indicated. For convenience, figure numbers in this text also contain their figure numbers from the Report of the Commission. For much of the time we shall speak of aggregates across Africa but throughout the discussion it must be remembered that sub-Saharan Africa is 48 countries which vary greatly on many dimensions, including policies and priorities. I am very grateful to the members and staff of the Commission for extensive collaboration and discussion concerning most of the issues raised, to Rosemary Stevenson for comments on this paper, and to Daniel Ingram and Andrew Jowett

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for help in presentation and editing. The Commission consulted widely and benefited from comments, discussions and ideas both inside and outside Africa. The results have been presented and discussed in a number of fora. This text is a much-abbreviated version of a paper presented to the African Economics Research Consortium, to be published in the Journal for African Economics.

Résumé

La conférence du 18 novembre 2005, présentée dans le cadre de l'IDEP, prenait appui sur le texte qui suit. Celui-ci ne reflète pas nécessairement les analyses du gouvernement britannique mais représente un point de vue personnel. Toutefois, nombre d'arguments et les figures proviennent du rapport « Our Common Interest : the Report of the Commission for Africa » publié en mars 2005 et disponible sur le site de la Commission pour l'Afrique www.commissionforafrica.org. Le terme « Afrique » utilisé dans l'article fait référence aux pays d'Afrique sub-saharienne regroupant 48 pays différents, à l'exception des quelques cas où il se réfère explicitement à l'ensemble du continent africain. Ce texte est une version plus courte du document adressé à The African Economics Research Consortium pour être publié dans *The Journal for African Economics.*

Keywords: Sub-Saharan Africa, development, common interest.

Mots clés : Afrique sub-saharienne, développement, intérêt commun.

J.E.L. : D02, E61, H11, H63, I3, O1

1. Introduction

The Commission for Africa was convened by Tony Blair, Prime Minister of the UK, in early 2004, as part of the preparation for the 2005 UK G8 Presidency, for which he had placed Africa at the centre of the agenda [1]. The central task was to recommend to the G8, EU and other rich countries a strong programme of action that could provide powerful support for successful African development. Thus we asked how rich countries could support, and not just finance, an African resurgence that would give Africa a chance of achieving the Millennium Development Goals (MDGs).

The Commission consisted of 17 prominent individuals, of whom 9 were African and 8 were non-African, covering diverse backgrounds, experiences and perspectives [2]. It consulted widely both inside and outside Africa. Given the differences between them, it is remarkable how closely the Commissioners came together, proposing an approach embodying a partnership between countries based on common humanity, solidarity and mutual respect. Thus the question becomes "how can the rich world get behind Africa's initiatives for development"? This contrasts sharply with an approach based on narrow contracts or strong conditionality.

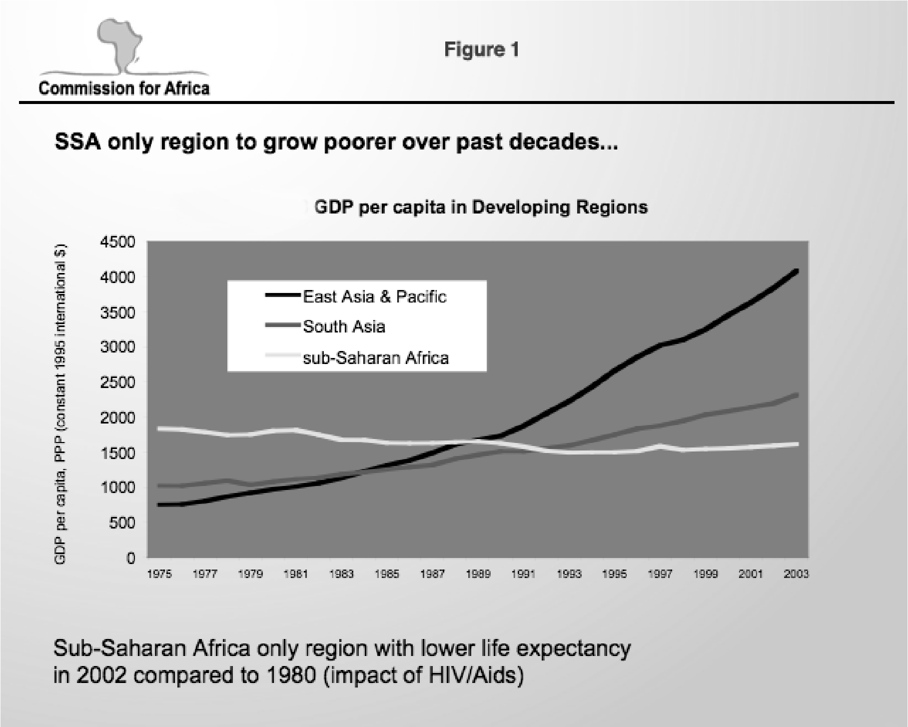
The international focus on Africa is in large measure a result of its very difficult experience over the last three or four decades. But we must recognise that Africa has not always been seen in this way. Indeed, when Gunnar Myrdal (1968) wrote his book, "Asian Drama" in the 1960s, he argued that the "teeming billions", "backwardness" and social customs of Asia would place almost insuperable obstacles in the way of her development.

However, as illustrated in Figure 1, the last three decades has seen Asia grow at unprecedented rates whilst Africa has seen virtually no growth in income per capita. While only 15% of the developing world population live in Africa, it is home to around a third of those living on less than $1 per day in the world (see the World Development Indicators, WDI); many of them live on much less.

This extreme poverty forms the first reason for action in Africa. Second, as a part of this development history, but also a matter of special intensity and urgency, Africa has been hit by the tragedy of HIV/AIDS. Third, Africa presents

1. The G8 focus on Africa during the UK's 2005 Presidency of the G8 was a continuation of the G8 support for the work of the New Partnership for Africa's Development, NEPAD, which marked the 2001 and 2002 G8 Summits.

2. The Commission included President Benjamin Mkapa of Tanzania; Prime Ministers Meles Zenawi and Tony Blair of Ethiopia and the UK respectively; the Canadian, South African and UK Finance Ministers Ralph Goodale, Trevor Manuel and Gordon Brown; Michel Camdessus, a former head of the IMF and Bob Geldof, the rock musician and development campaigner.



the biggest challenge of delivery on the Millennium Development Goals (MDGs), a fundamental international commitment made by Heads of State at the UN at the turn of the century. Fourth, there is a historical responsibility of the rich world not only for its colonial role but also the way in which the Cold War was played out in Africa. These are ethical reasons for the rich world to support Africa in its development, but there is a fifth reason - self interest. An Africa in turmoil and desolation will have grave consequences for the rest of the world in terms, inter alia, of unstable supplies (including oil), movements of people, disease, conflict and terrorism.

But to understand the deeper reasons for "why now?" we have to turn to the analysis set out in the next section. The third section will contain the recommendations from the Report of the Commission and in the fourth we will ask whether they will work. The final section will contain concluding comments and emphasise that this is a moment of special opportunity.

2. Analysis

Any recommendations for action have to be based on an analysis of the causes of the problem under examination. That action must not only be focussed on dealing with the causes but must also take careful account of the circumstances which will influence whether it is likely to work. In summary, we focussed on the challenges of governance and of geography as being at the heart of Africa's problems.

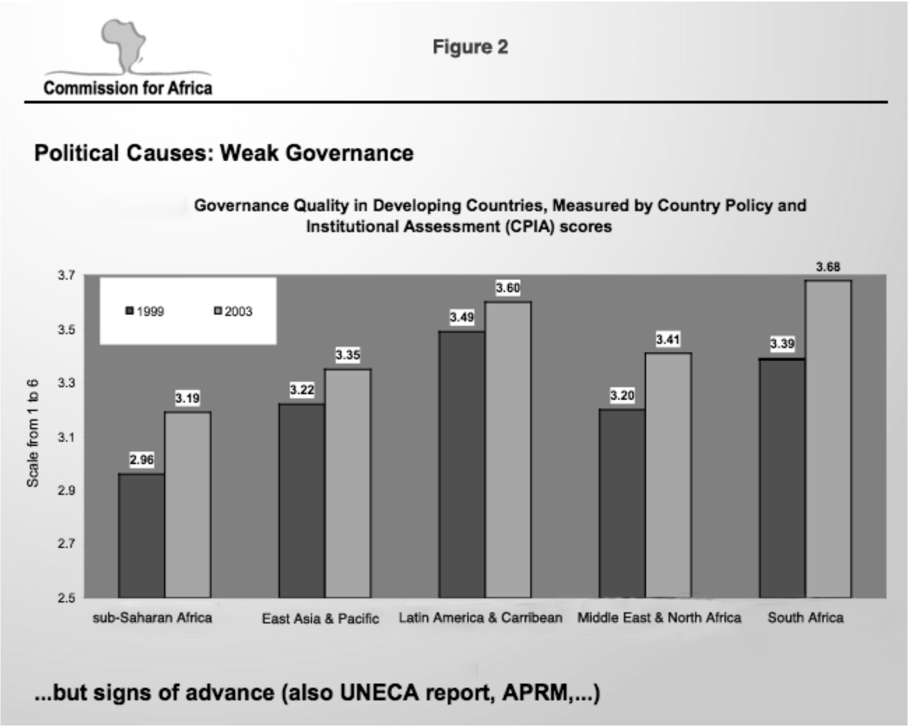
2.1. Governance

Some African countries have become synonymous with conflict, the most extreme form of failure of governance. Yet governance has improved in Africa over the last 15 years and conflict, while still a major issue, is much less severe than it was 15 years ago. With all their faults and partialness, we have seen two-thirds of the countries of Africa having elections in the last 5 years. Most of the governance indicators, see for example the Global Monitoring Reports of 2004 and 2005 of the World Bank and the recent governance report of the Economic Commission for Africa, have been improving quite strongly over the last 10 to 15 years (see Figure 2).

But whilst the quality of governance in Africa is increasing at least as fast as other regions of the world, its level is still, on average, far below the rest of the world. The development literature (see e.g. Kaufmann, 2003) is very clear on how damaging poor governance is to development. Thus as well as emphasising its progress we must also emphasise the weakness of governance as a key cause of Africa's lack of progress.

Conflict is devastating for development: the consequences of conflict on the one hand and the benefits of peace on the other hand are illustrated in Figure 3. There is no doubt that conflict has been a major cause of Africa's difficulties of development, and there is a vicious circle – poverty makes conflict more likely (see e.g. Collier et al., 2003). Nevertheless, as we have noted, there are far fewer conflicts in Africa now than 15 years ago.

It is, in part, changes such as these in governance and conflict that create the opportunity for effective action now. The benefits of improved governance and the associated peace and security are clearly visible across the whole of Africa. Inflation has fallen from an average of 50% per annum to a median in single figures over the last 10 to 15 years. Budget deficits are on average one-third the level of 15 years ago. Sixteen African countries have grown by more than 4% per annum over the past decade with the growth in real output of Sub-Saharan Africa

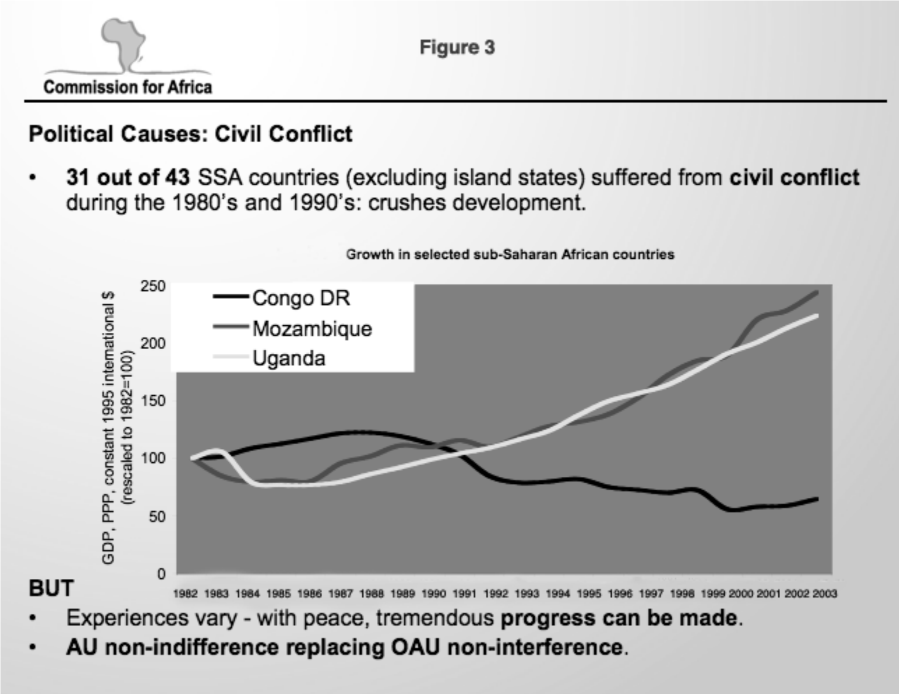


averaging over 5% in 2004. These advances may be partial and fragile, but they are real.

The evolution of the African Union from the Organisation of African Unity (OAU) creates an opportunity for more effective action to resolve conflict (see Chapter 5 of the Report of the Commission): the African Union now has a policy on non-indifference to internal conflicts whereas the OAU preferred non-interference.

The New Partnership for Africa's Development (NEPAD), created 5 years ago, has put governance at the centre of the stage. Through the African Peer Review Mechanism of NEPAD, neighbouring African countries offer comments and analysis on the problems of governance. Indeed, it is hard to imagine this type of mutual assessment and assistance happening in other regions of the world.

Governance can be undermined and conflict made more likely by the behaviour of those based outside Africa, for example in the competition for natural resource rents and in the use of the associated revenues. However, we cannot escape from the fact that governance is largely homemade. The new generation of leaders that have succeeded those from the immediate post-colonial era recognise that the people and countries of Africa must take responsibility for their own future. Of all

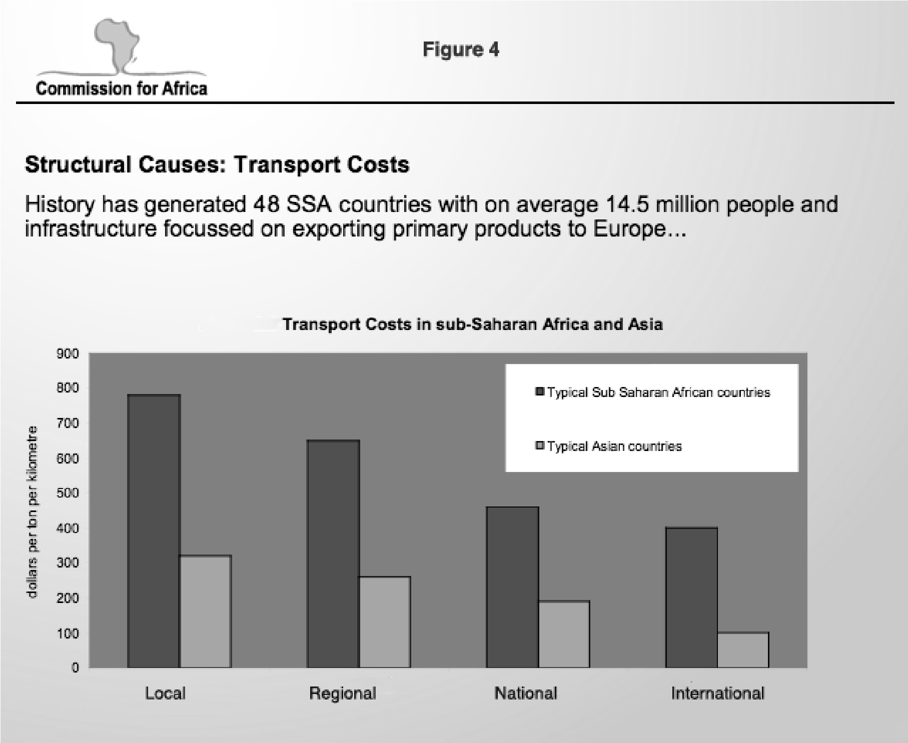


the continents of the world, in my view, it is Africa that shows the strongest shared sense of a continent as a whole and thus of mutual commitment to mutual support. Nevertheless, governance is also heavily influenced by history, particularly of the colonial period and the Cold War. Sub-Saharan Africa is made of 48 countries with borders heavily shaped by that history. Political borders all too easily become economic barriers.

2.2. Geography

Much of Africa suffers from a geography that makes transport difficult, and this is compounded by the infrastructure of Africa. For example, African railways generally link points of natural resource extraction to the nearest convenient port for Europe. This is in stark contrast to India where the railways link the whole country. Consequently, the transport costs in Africa are exceptionally high (see Figure 4).

In addition, the geography of Africa lends itself to a particularly pernicious form of malaria as well as making some areas exceptionally prone to drought. It is striking that 40% of arable land in India is irrigated compared to just 4% in Africa.



This weakness of irrigation, together with the rest of the infrastructure system, is one of the reasons why Africa is so vulnerable to climate change. Meanwhile, southern Africa in particular, is afflicted by the tragedy of the rapid spread of HIV and AIDS. Whilst adult literacy in Africa does not compare too badly to that of South Asia, Africa is the only region in the world where life expectancy has been falling in the last 15 to 20 years. Population growth is falling, but at 2% per annum is high when compared to the 1% population growth observed in Asia.

One consequence of the causes above has been the collapse in Africa's share of world trade from 6% to 2% in the last 25 years. Aggregating all the economies of Africa together does not constitute a 'large' market and hence, as with most developing countries, the growth of exports must be at the heart of the story of growth. There are different opportunities and obstacles for each African nation where some have natural resources whilst others are land-locked. However, all of them will need to see both manufacturing and services grow strongly if they are to see sustained increases in their standard of living.

It is the interaction of these causes, among others, that have led to ineffective investment in assets, infrastructure, health and education in the past. The net result has been persistent poverty and all the associated problems like high mortality and birth rates. Overall, the causes of the current situation are numerous, complex and they have combined and interacted in ways which have meant that much of Africa has been in a "poverty trap". It will take radical action, both within Africa and with strong support from outside Africa, to break out of these traps.

That is why we speak of a "big push": but we must emphasise very strongly that a big push is not simply about resources. Strong African action on governance supported by substantial outside help will, in most cases, be at the heart of efforts to break out of these traps.

This analysis forms the foundation of the recommendations which follow. The combination of recent progress and the profound nature of the traps imply that there is a special opportunity for outside support. But it must be strong if it is to make a difference. "Business-as-usual" is more risky than radical action now.

3. Recommendations [3]

Governance and geography are not destiny. They can be changed by public action and by investment. These recommendations focus on five main and interconnected areas. The first set of recommendations concern the foundations that we have emphasised throughout governance and peace and security. The second set concern the investment in people and growth which provide the engine of development. Finally we examine the questions of finance and the quality of support.

3.1. Governance

The recommendations focus on two areas at the heart of governance: *capacity* and *accountability*. On the former, the Commission placed a particular emphasis on investing in education. As with the MDGs, there should be special focus on primary education and access for girls. However it is also necessary to invest in secondary and higher education to boost African capacity on all fronts, including governance. African universities were considered quite strong in many cases during the 1960s, yet the standards have deteriorated greatly in the last 40 years. Regenerating Africa's higher education system will play a key role in training teachers and medical staff that are vital to human development. Science and technology will be of great importance in driving development. However, it is not enough to invest in education alone. It is crucial to the African economies that

3. Full details for all of the recommendations of the Commission can be found in the Report.

there are proper incentives to keep these skilled people working in Africa. This requires a working environment that is professionally rewarding and productive. In this way, improvements in governance become self-reinforcing: training and retaining skilled people is enhanced by organisations and environments which use them well and vice versa.

On accountability there is again much that the outside world can do to contribute. One example of great importance is to put pressure on natural resource companies to publish what they pay; that is the purpose of the Extractive Industries Transparency Initiative. Transparency has a key role in reducing corruption in both public and private sectors- as Justice Brandeis said "sunshine is a great disinfectant". Furthermore, many of the conflicts in Africa are driven by and financed through natural resource rents (see, e.g. Collier et al., 2003). Data systems are very weak, on average, in Africa and investing to improve them advances the capacity for policy to be implemented. Stronger institutions of higher education, think-tanks and skilled NGOs can, and should, hold governments to account, particularly when they can make use of better data. Thus building greater capacity can also contribute to better accountability.

Many outside agencies now recognise that better governance will foster a more effective use of aid. But they must also take more careful account of the link the other way: the manner in which aid is given can have a strong influence on both capacity and accountability. All too frequently the many aid givers each demand a high degree of accountability specifically to them. This in turn saps a government's precious capacity by having to produce many different reports for aid donors and lenders, each with its own idiosyncrasies. It is all too easy to wait for governance to improve before giving aid; there is much that outsiders can do to encourage the process of improvement.

Of special importance to this process is support for the African Peer Review Mechanism (APRM) of NEPAD. The first two reports, on Ghana and Rwanda, have been completed, and more than half of African countries are committed to participate. It is a remarkable initiative. These findings include, for example, the improvement of budgetary processes, judicial reform and civil service reform. Some of these may require substantial resources and the development community should stand ready to provide assistance. With confidence that this assistance will be forthcoming and that the international community is focussing on the APRMs, further commitment to the APRM process is created. We have the beginnings of a 'virtuous circle'.

4. Peace and Security

Peace and security, like governance, are in large measure made at home. Again, however, outside support has a great deal to contribute. As with governance, Africa, through the African Union, is now getting very constructively involved as a community of nations in finding resolutions to conflict. Outside support can, for example, take the form of providing logistics to enable African troops to quickly reach points of conflict, for example. This way it avoids the necessity of having to assemble coalitions and resources for each particular crisis. Speed of both international decision-making and mobilisation can be crucial in dealing with conflict.

Still more important than resolution is prevention. As with governance generally, enhanced transparency over resource payments can also play a strong role here, with outsiders once again making a major contribution. Governments, political parties, shareholders, customers and NGOs can all indicate that they expect high standards from firms. Further sharper definitions of which goods are "conflict goods" and how they can be controlled would be of great value. This would allow the "Kimberley process" for diamonds (which works via an identification of sources) to be extended to other goods.

More generally, the world must recognise that poverty promotes conflict and thus investing in development itself is a key factor in building peace and security.

4.1. Investment in People

The Commission recommended that around half of the resources it identified as necessary (see below) should be invested in people, in particular education and health. But effective action is not just a matter of resources, crucial though these are. Unless we move to support the development of health and education systems, other kinds of intervention in these and other areas are going to be fatally weakened. No matter how many medical resources are given to any country, and not just in Africa, if the health system does not function, then these will have only a muted effect. The most fundamental task is to invest strongly in building health systems that work, especially for poor people, and in which health professionals can be productive. Similar remarks apply to the education system although there are fewer of the "vertical funds" (which are usually disease specific) that are associated with health.

Building these systems and the programmes they deliver will require big increases in funding if the MDGs for health and education are to have any chance of being met. Funding must cover not only investment and capital costs, but also current costs. Confidence that substantial, long-term funding, including for current costs, is available is crucial if finance, health and education ministries in developing countries are to be able to make strong commitments to expanding their health and education systems.

Africa faces a very particular crisis in HIV/AIDS. Major resources are required for treatment. Furthermore, in many countries, HIV/AIDS is scything down health and education workers. But it is not just about treatment. Prevention requires changes in behaviour and leadership to that end. And we now see much more clearly than before that the challenges of treatment and prevention are intertwined. Of special importance in prevention are the power relations between men and women. Organising sex workers, as experience round the world has shown, is one element; if sex workers act together they have a much greater chance of requiring safer sex than if they act individually. So too is the whole process of education at school and beyond.

The Commission also gave strong support to schemes to encourage the development of vaccines, drugs and treatments relevant to poor countries. Too many of the incentives, deriving from where the purchasing power is located, lead to medical research being oriented to the needs of rich countries. One appropriate scheme is to provide a guarantee to purchase at a price which rewards research and development, vaccines, drugs and treatment that are demonstrably effective for key diseases affecting Africa and the poor countries.

Finally, in emphasising investment and education systems, we must also be very clear that health and education outcomes are shaped by many factors beyond doctors, nurses and teachers. Nutrition depends on income, education, crops and cropping patterns. Infrastructure is crucial here: for example, better health is supported by better water supplies; children get to school and start much more easily if transport is better; and girls may spend less time fetching wood and water and have more time at school.

4.2. Fostering and Investing in Growth

The Report identified the crucial role of better governance in improving the investment climate that frames entrepreneurship and growth. The investment climate in Africa, in terms of the difficulties of actually working in business and reaping the rewards, is much weaker than elsewhere (see the 2005 World Development Report of the World Bank). In Africa the proportion of domestic investment in total investment is greater than 80% (and it is still higher in other developing countries). We must recognise that the most important private firms in poor countries are the family farms and that the big majority of the poor people of Africa are in rural areas.

Whilst the focus should be first on domestic investment, not only to growth and skills, but also foreign direct investment can make a big difference to efforts to improve the overall investment climate. The problems that domestic and foreign investors face are usually similar and thus efforts to improve the climate for domestic investors improve that for foreign investors too. If foreign investors think about their supply chains and how they can be improved, they increase both their own returns and the opportunities for domestic firms.

However, the obstacles to investment do not simply reside in governance. Africa's infrastructure is very weak. Africa currently invests around $10 to $12 billion a year in infrastructure. For Africa to achieve the 7% growth rate that should be its target then these infrastructure investment levels must be doubled or tripled (see the Report for details). A major investment in Africa's infrastructure must be central to the achievement of accelerated growth.

In my view, the development institutions of the world did great damage to the story of infrastructure in developing countries by pretending, through much of the 1990s, that somehow most of this investment was going to be financed by the private sector. Something like 20% of infrastructure in Africa is financed by the private sector and nearly all of that is in telecoms; in other continents, typically 75% of infrastructure investment is from public sources. Thus to presume that private finance in Africa will fund all or most of this investment is profoundly mistaken. Generally it will be the public sector which will build the roads and bridges. But then the private sector and local communities are often in a good position to carry out the maintenance which all too often fails to receive the attention it requires.

Trade is vital to the growth story and the Commission had much to say. The trade experience of Africa has been very different from Asia. Africa's share of world trade has collapsed over the last 20 to 25 years, whilst Asia's has grown dramatically. Rich country barriers to trade from poor countries are disgraceful, but Asia has faced the same or higher barriers. While Africa has created tariff barriers to its own trade, they are not substantially higher then elsewhere – see for example the reports in the series of Global Economic Prospects by the World Bank. The collapse in Africa's share of world trade is in large measure explained by major defects in the capacity for trade, and production more generally, in Africa; meanwhile that capacity has advanced strongly elsewhere. The state of infrastructure is a major part of the story. But so too are the skills that are a key part of diversification into new products, together with obstacles from weak governance and conflict. So first and foremost in our recommendations on trade we emphasise the capacity to trade and the investments in governance, infrastructure and skills that are necessary to overcome these obstacles.

The Report does not, however, deny the importance of the trade barriers in rich countries. On the contrary, it argues that the barriers faced by African goods in developed markets are politically antiquated, economically illiterate, environmentally destructive and ethically indefensible. Their dismantling must be a crucial element in the Doha round if it is genuinely to be a "development round". For Africa to gain significantly from the Doha round the reforms must be radical – and that will not happen without developing country support. This in turn will not happen unless rich countries make strong reductions in agricultural protection. With reductions in trade barriers, it is important that other bureaucratic restrictions do not replace them under these trade preference schemes.

Growth generally brings poverty reduction (see, e.g., Collier and Dollar, 2001). But that poverty reduction is much more rapid if poor people can participate in growth more easily. Thus a major part of the challenge of poverty reduction and development concerns empowering and investing in poor people so that they can participate in driving economic growth and change. A large part of that story lies in health and education; these are not only goals in their own right, they are also sources of growth.

Fostering the participation of poor people in growth also includes breaking down the barriers that poor people face. Many of these barriers arise through gender, language, caste, colour, religion, or ethnic group; these often lie deep in society and culture. Change that overcomes the exclusion and poverty that results from these barriers must originate within a society. But once again there is a great deal that outsiders can do to help, including providing resources for girls' education and improving property rights. Some of the arguments on empowerment and participation are taken forward in my recent book entitled "Growth and Empowerment: Making Development Happen" (Stern, Dethier and Rogers, MIT Press: 2005).

We argue that, on aggregate, the target for growth in sub-Saharan Africa should be at least 7%. Africa is becoming more and more marginalised, in terms of income and output per head, from the rest of the world. If Africa is to have any chance of arresting and reversing that marginalisation then an increase in growth rates to something like 7% will be necessary. This may look ambitious but some parts of Africa have achieved those growth rates for extended periods. Without such performance Africa has little real hope of achieving the MDGs.

4.3. Resources, Finance and Implementation

The programmes we have described involve a strong increase in investment and in resource flows. The programmes must be integrated since the challenges require action across several fronts. Tables 1 and 2 summarise the total cost of these recommendations:

Commission for Africa

Table 1

The Commission's Package: Ambitious & Strong

This is a comprehensive package. Action must be taken across a broad and coherent front.

Costings of the Commission's Recommendations - Taking No Account of Constraints of Absorptive Capacity

	US$ billion
Additional annual public expenditure needed to implement each item of the Commission's package in full	**75.0**
Composition of Commission's Expenditure Recommendations	**per cent**
Governance (Chapter 4)	4%
Peace and Security (Chapter 5)	2%
HIV and AIDS (Chapter 6)	13%
Education (Chapter 6)	10%
Health (Chapter 6)	26%
Social Inclusion (Chapter 6)	5%
Growth, Infrastructure and Trade (Chapter 7, 8)	27%
Mitigation of Shocks (Chapter 9)	5%
Contingencies	7%
Commission's Package of Recommendations (US $ 75 billion):	100%

The costs were assembled from bottom-up programme assessments from a variety of organisations with a focus on the given areas – see the Report for details. The overall package costs an extra $75 billion per annum. That is a very large demand for extra resources given that the current GDP of sub-Saharan Africa is $300 to $400bn (at current exchange rates) with aid of around $25bn per annum (2004). On the other hand, $25bn represents 0.1% of the current income of rich countries. After an analysis of the possibilities of generating extra public resources through stronger growth and better governance, we argued that by 2015 around one-third, or $25bn, of the extra funding could be generated internally, leaving $50bn to be financed externally. We further analysed the problems of using big increases in aid effectively, or in a term which is often used, "absorptive capacity" (see next section). On this basis we argued that the extra $50bn per annum of external aid should come in two stages: an extra $25bn by 2010 and, depending on a review of experience, a further $25bn between 2010 and 2015 (see Table 2).

Within this package we argued for an extension of the debt reduction plans known as the Highly Indebted Poor Countries (HIPC) initiative. Under this initiative most of the bilateral debt for included countries had already been written off.

Commission for Africa

Table 2

...but also practical & sequenced.

Stage 1: Doubling aid to SSA over the next 3-5 years to complement rising levels of domestic revenues arising from growth and better governance.

Costings of the Commission's Recommendations - Taking Account of Constraints of Absorptive Capacity

First Stage: 2006-2010 (in US$ billion)*	
Additional public expenditure, by 2010	37.5
Total financing needed	37.5
Domestic resources**	12.5
Extra aid (double 2004 volume)	25.0
Second Stage: 2010-2015	
The Commission recommends proceeding to a second stage (2010-2015) of similar expansion based on an assessment of experience of the first stage	

But the Commission argued that a number of poor countries were somewhat arbitrarily excluded and further, that more rapid progress should be made in dealing with multilateral debt (essentially that owed to the World Bank, the IMF and the African Development Bank). At the G7 Finance Ministers meeting in early June 2005 a plan for multilateral debt cancellation was agreed and a few weeks later there was agreement at the Paris Club on a plan for reducing Nigeria's debt.

5. Will it work?

The increases of investment in infrastructure, health and education we have proposed are large relative to current aid levels and to current African GDP. There are still major challenges and questions which must be examined over how that increase can be used effectively or "absorbed". Here we must emphasise very strongly the package of recommendations described is not simply about multiplying current aid levels and continuing to use them in the same way as before. What is necessary is a recasting of the whole relationship between Africa and the international community. The ability to absorb aid depends upon the governance of the country itself, how total aid funds are allocated across all recipients and upon the quality of aid in terms of its predictability, conditionality etc. There is evidence of improvements on all these factors, which together determine the productivity of aid (see the Global Monitoring Reports for 2004 and 2005 by the World Bank for example). Nevertheless there is a very long way to go.

We examined the evidence on aid effectiveness from projects, programmes, country case studies and cross-country comparisons (see Chapter 9 of the Report for further details). Essentially the conclusion that we come to is that, given the changes that have already occurred in the factors identified above, Africa could use effectively an extra \$25bn of aid per annum by 2010. Successful improvements in those factors specified above imply that there should be scope for a further increase of £25bn per annum between 2010 and 2015. If the aid is forthcoming and the improvements across the three fronts are maintained, the results would enable Africa to reach the 7% target for the proposed growth rate and to make strong progress towards the MDGs.

The Commission also recommended establishing the International Finance Facility (IFF) proposed by Gordon Brown. The IFF will allow borrowing to take place against future commitments on aid with the net result of smoothing aid flows over time. This allows aid to be given now, but there is also a secure and predictable profile for the future as donations tend towards the 0.7% target agreed by the large EU countries. A pilot facility for immunisation (total budget \$4bn) was agreed in the autumn of 2005 and is now being implemented. The Report argues for resources raised via the IFF to be distributed through existing institutions. The world does not need more development institutions; rather the existing institutions should become still more effective in their operations. Assigning responsibility for the expansion of infrastructure to the African Development Bank is one such proposal, especially if this takes place alongside, and draws on the experience of other international financial institutions.

Greater transparency by aid givers could give a major boost to the effectiveness of aid. There are a number of possible actions. First, institutions should be much more open on the break down and use of aid. On average it seems that less than half of existing aid comes as disposable cash for long-term assistance (see the analyses by the OECD's Development Assistance Committee). Second, relevant players should be encouraged to appraise the performance of each other. Tanzania has begun such a process. Third, multilateral institutions (such as the World Bank and IMF) should become much more transparent in their choice of heads; appointments should be unrestricted by nationality or region and focussed on who has the most appropriate talents for the job.

Overall, these aid institutions should work to build relationships of partnership that rely much less on conditionality. Responsibilities to taxpayers in rich countries and the people of poor countries imply that conditionality cannot be totally abandoned. But we must constantly bear in mind that it is the effective use of resources to fight poverty that must be the touchstone for public responsibility. Detailed conditionality is usually unproductive relative to these criteria. In other words, better results are more likely to come from closer partnerships than from increased conditionality.

These arguments and the analysis of the Report show that 'absorptive capacity' and the effectiveness of aid are not some abstract, fixed or exogenous attribute but can be influenced directly by actions. Although many movements are in the right direction, we did not assume that the necessary improvements in aid effectiveness will definitely happen: we make recommendations to strengthen the process of improvements still further. And we recommend a pragmatic two-stage approach, with first one major increase to 2010 then a second, after appraisal of the first stage.

6. Concluding Comments

The work of the Commission for Africa set out not only to take account of the politically possible but also to expand horizons and change politics. To do this a strong foundation start was crucial. So too was the leadership of the African majority on the Commission and the collaboration with African institutions, including NEPAD and the United Nations Economic Commission for Africa. So far at least, several months after publication, the Report of the Commission for Africa has stood up to critical scrutiny. The detailed recommendations of the Report were accepted by the UK Government (see the UK Budget document for 2005, Chapter 5). They were endorsed by the heads of state at the African Union summit in Sirte in Libya just prior to the Gleneagles summit in July 2005. They formed the basis of the proposals set out in the communiqué for the G8 summit in Gleneagles, which followed the structure of the recommendations above and contained around two-thirds of the proposals in the Report of the Commission, even though some of them were watered down – particularly on trade. On the resource dimension in particular, there was strong progress with a commitment to generate the extra £25bn per annum for Africa between 2004 and 2010 that the Commission proposed. Thus the work of the Commission does seem to have influenced key arguments and decisions in important ways. However, consistent with fulfilling its original purposes and with the recommendations not to create new institutions, the Commission for Africa disbanded after Gleneagles.

Delivery on the commitments, and in a way which yields strong results, will be a continuing challenge. The UK has been unusual in recent times in having a government so strongly committed to development. It has been a prominent issue, for example, in all the budget speeches over his 8 years of tenure by the Chancellor of the Exchequer, Gordon Brown – this must be exceedingly rare for a finance minister of a developed country. Over the medium term, rich country governments will respond consistently to the demands of development only if development continues to be a domestic political issue. That requires leadership and it requires continuing commitment and political pressure from civil society.

Change in Africa and our own learning about external assistance have brought us to a point where there is a special opportunity to make a difference. Delay in external support will add to the risks that reforms may not broaden and deepen. Delay will make more of the problems – HIV/AIDS, the environment in rural areas, the pressures of urbanisation and so on – still more difficult to handle. Strong support now can turn the beginnings of progress into firm foundations for success. A 'big push' now can work. And I would argue that it would be less risky than business-as-usual. The latter risks losing some of the very important advances seen in Africa in the last decade. But working together, Africa and the international community, we have to apply all we know to make a big push successful. If we try it and make a mess of it, we can severely undermine the cause of development over decades to come. And if the rich world fails now to deliver on its promises, there is a risk of cynicism in Africa that would be deeply damaging. Special opportunities bring heavy responsibilities.

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See also the Report of the Commission for Africa (at http://www.commissionforafrica.org/) for further references.