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Supporting and Financing Africa's Resurgence

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1. Introduction

The Commission for Africa was convened by Prime Minister Tony Blair in early 2004. The central remit, particularly in the context of the G8 Gleneagles Summit of July 2005 and the UK Presidency of the European Union (EU) in the second half of 2005, 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. In other words, we asked how rich countries could support, including finance, an African resurgence—a resurgence that gives Africa a chance of achieving the Millennium Development Goals (MDGs) to which the world committed at the turn of the millennium.

The author was formerly Director of Policy and Research for the Commission for Africa. The paper is written in a personal capacity and does not necessarily reflect the views of 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 at www.commissionforafrica.org. That source can also be consulted for further references. 'Africa' here generally refers to sub-Saharan Africa (SSA) 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 SSA is 48 countries with great variations. Policies and priorities will vary too. I am very grateful to the members and staff of the Commission for extensive collaboration and discussion concerning most of the issues raised. This paper is in large measure based on the presentation that I gave to the African Economic Research Consortium Plenary Session in Nairobi on 5 December 2004. This session was a crucial part of the consultation phase of the writing of the Commission for Africa report and the sharing of early ideas there with Africa's leading economists was extremely valuable.

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The Commission consisted of 17 prominent individuals, 9 of them Africans and 8 non-Africans, with very varied experience, background and perspectives. Amongst the more 'political' commissioners, there was one Head of State (President Mkapa of Tanzania), two Prime Ministers (Meles Zenawi of Ethiopia and Tony Blair of the UK), three Finance Ministers (Gordon Brown of the UK, Ralph Goodale of Canada and Trevor Manuel of South Africa). The Commission also included an ex-head of the International Monetary Fund (IMF), Michel Camdessus and Bob Geldof, the rock musician and development campaigner, as well as those with experience in the international institutions, in the private and public sectors and in Non-Governmental Organisations (NGOs) in Africa and outside. They worked in their personal capacities.

Given the differences between them, it is remarkable how closely the Commissioners came together. One thing on which they came together very early was the nature of the partnership that should underpin action: a partnership based on common humanity, solidarity and mutual respect. This means sharing objectives and working together for these common goals. That approach is very different from a partnership based on narrow contract or conditionality, which can so easily embody lack of trust between rich and poor countries, or rich countries, directly or through international institutions, trying to tell Africa what to do. The success of a partnership depends on behaviour and how people work together. This spirit of the partnership ran through the whole story of the recommendations. Correspondingly, the recommendations are based not only on what outsiders can and should do to support, but also on what Africa can or should do. Thus, the question becomes, 'how can the rich world get behind Africa's initiatives for development'?

In this same spirit of partnership, the Commission consulted very widely, not only in Africa but also outside. There were extensive meetings with civil society and the private sector, as well as with political groups and politicians across Africa. There was considerable scepticism in Africa initially, but that changed radically over the year, particularly when the recommendations began to be constructed and debated with their foundations based on shared analysis.

This interpretation of the question embodies the idea that it is for Africa, at the community, country, regional and pan-African levels,

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to define its own objectives. It is in Africa that the nature of the society and what it means for development is best understood. That means we must not be formulaic in specifying policies. On the other hand, we must be strongly analytical if we are to be able to formulate and propose effective policy. Evidence and serious economic and social science are fundamental to good policy. They are also crucial to getting agreement on action. Thus the recommendations for any one country will depend on its circumstances and what that country wants to do. At the same time, there are many key issues and lessons of analysis and experience that will apply everywhere such as the laws of arithmetic and the limitations on resources and the importance of improving governance.

The recommendations of the Commission were based on an analysis of what the challenges facing Africa have been and why it is that Africa has done so badly over these last three decades. Three or four decades ago, income per capita in Africa was twice that of East Asia and South Asia. When Myrdal (1968) wrote his (long and tedious) book, *Asian Drama*, in the 1960s, he was focussing on the challenges, as his title says, of Asia. So many people thought that the 'teeming billions', the social customs, the 'backwardness', the conservatism—perspectives that seem very odd today—would place almost insuperable obstacles to the development of Asia. Africa in the 1960s was much better off than Asia in terms of average income and much better endowed in terms of land per person—the population then was around 250 million compared to 700 million now. Development in Asia over the last three decades has been remarkable, but Africa has seen virtually no growth in per capita income.

The crisis of world poverty is now in Africa (Figure 1). Africa has around 15% of the population of the developing world, but around a third of those living on less than $1 per day (see World Development Indicators (WDI) of the World Bank for numbers and meaning of $ per day) are in Africa and nearly a half of those in Africa live on less than $1 per day, many of them on much less.

That extreme poverty is the first and most important reason for action: we are all part of one human race and our common humanity demands that we confront the broad incidence of extreme poverty of this intensity. But there are further reasons for action. The second is that at the UN Millennium Summit at the end of the last century the world together took on a clear obligation to

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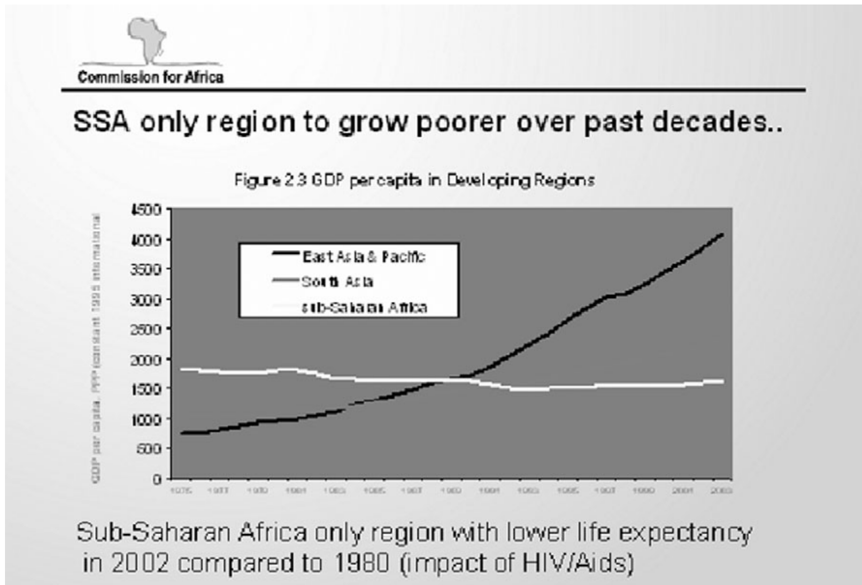

Figure 1: *GDP Per Capita in Developing Regions. Source: Report of the Commission for Africa, www.commissionforafrica.org.*

act, setting measurable and dated targets—the MDGs. In Africa, we are way behind on all the key dimensions (see WDI). Third, as we shall argue, the colonial legacy and the Cold War have played their part in shaping Africa's progress, or the lack of it. History created responsibilities. Fourth, there is 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), movement of people, disease, conflict and terrorism.

Those are indeed compelling reasons for action. But why establish a Commission for Africa in 2005? Let me start with one or two anniversaries because, whilst they are not fundamental reasons, they have their role to play. The G8 summit was very close to the 20th anniversary of Live Aid (which was on 13 July 1985). Bob Geldof, a key moving spirit behind the Commission was the instigator and inspiration for Live Aid. It was 25 years since the Brandt Report, which was very influential in raising the rich world's awareness of its interdependence with the poor world. And 2005 was the year of the two presidencies of the UK,

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first of the G8 throughout the whole of 2005 and the second of the EU in the second half. These presidencies represented an opportunity, or a platform, to push for strong support for Africa. In the case of the G8, the UK initiatives on Africa represented a continuation and re-energising of the work that had begun in 2001 and 2002, including the Africa Action Plan of the G8 summit in Canada in 2002.

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 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 problems at hand. In short, in Africa, we shall argue, these causes have been first governance, including conflict, which is the most extreme form of government failure, and geography. Within these two broad headings (and they are not exhaustive) the causes are numerous and complex, and they have combined and interacted in ways that have meant that much of Africa has been in a 'poverty trap'. It will take radical action, we sometimes use the language of a 'big push' [although in a somewhat different sense from Rosenstein–Rodan's (1943), early use of the term]. That action must not only be focussed on dealing with the causes but must also take place in circumstances where it is likely to work. It would have been difficult 15 or so years ago, with Africa mired in dictatorship and conflict, to have made the argument that the circumstances for a real likelihood of success were there.

But Africa is changing and that gives us the most fundamental reason for acting now. Strong support to get behind the changes that are taking place could give Africa a real chance of breaking out of the vicious circles. On the other hand, 'business-as-usual' in terms of external support runs the serious risk that the reforms under way, often at great risk to the reformers, could wither or be crushed by reaction.

It is the changes in governance that create the opportunity for effective action now. Further, the arguments for urgency are

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reinforced by the nature of the problems—many will get worse and more difficult if action is postponed. These include the challenges of HIV/AIDS, of the rural environment and the extraordinarily rapid urbanisation.

This is not the place for detailed examination of the evidence on governance but let us look quickly at the development of democracy and at some World Bank governance indicators. With all their faults and partialness, we have seen two-thirds of the countries of Africa having elections in the last five years or so. 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 or 15 years (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 way

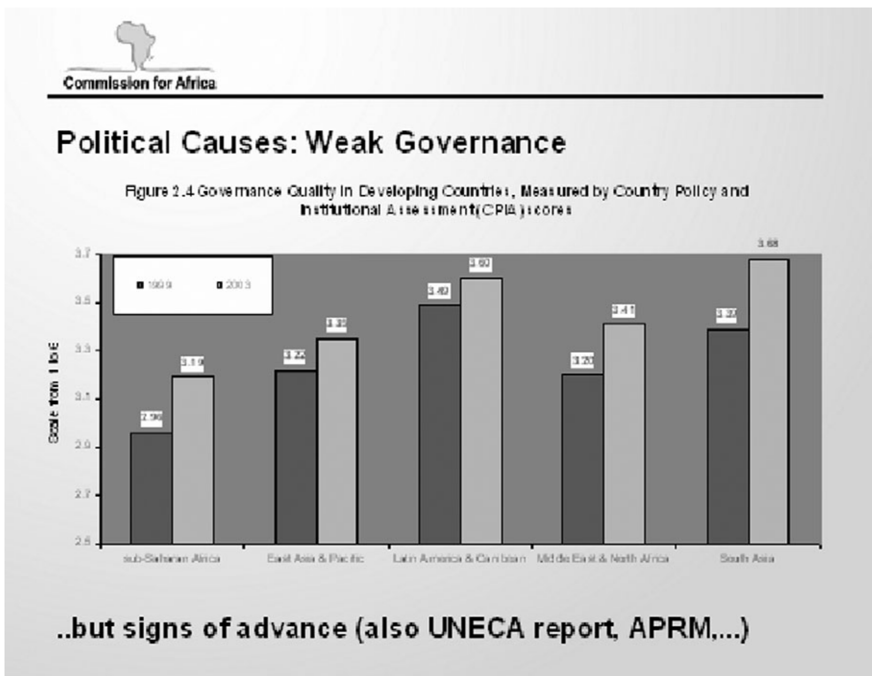

Figure 2: *Governance Quality in Developing Countries. Measured by Country Policy and Institutional Assessment (CPIA) Score. Source: Report of the Commission for Africa, www.commissionforafrica.org.*

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below these regions. And for much of the last three decades it has, on average, been far below the rest of the world. The development literature (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 and it has been all too frequent in Africa. 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. Moreover, poverty and a history of conflict make conflict more likely—another vicious circle (Collier *et al.*, 2003). But again there is progress. There are far fewer conflicts in Africa now than 15 years ago. And the African Union is acting much more positively to resolve conflict than its predecessor, the

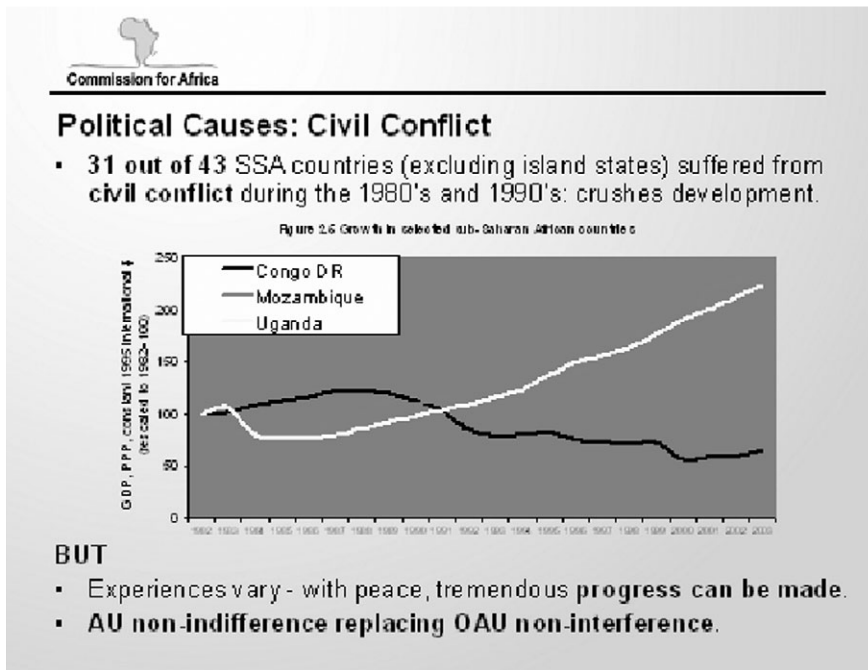

Figure 3: *Growth in Selected Sub-Saharan African Countries. Source: Report of the Commission for Africa, www.commissionforafrica.org.*

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Organisation of African Unity (OAU)—see Chapter 5 of the Report of the Commission.

The outcome of those improvements in governance and peace and security are now clearly visible in economic policy and in economic growth across Africa. Inflation 10 or 15 years ago averaged 50% per annum in Africa. The median is now in single figures. Budget deficits average one-third of their levels of 15 years ago. Over the last decade, not just one year, 16 African countries have grown at 4% per annum or more. Last year real growth in output of sub-Saharan Africa (SSA) averaged over 5%.

The advances on all these fronts may be partial and fragile, but they are real. Support now can transform the possibility of success into a probability. This part of the analysis is key both to the timing and to the recommendations of the Commission, as well as to its argument that 'business-as-usual' in terms of external support is more risky than making a major effort now. The great risk of 'business-as-usual' in external support is that the advances may be lost.

Africa is taking on the issues of governance and conflict at the pan-Continental and regional levels, as well as at the country level. On internal conflict, the African Union has a policy on non-indifference, where its predecessor, the OAU had a policy of non-interference. It is active in trying to find resolutions to all the current major conflicts in Africa. This is fundamental change. The New Partnership for Africa's Development (NEPAD) created five years ago has put governance at the centre of the stage. Through the African Peer Review Mechanism (APRM) of NEPAD, the countries of Africa are helping each other to improve governance by commenting on and helping to analyse the problems of governance in their neighbours. It is hard to imagine this type of mutual assessment and assistance happening in other regions of the world.

These are major initiatives that are taking place at the continental level in Africa, but we must recognise of course that governance is largely home made and at the country level (although there can be important neighbourhood effects). Africa has recognised this very clearly under a new generation of leaders, with different perspectives from those of the immediate post-colonial era. They recognise that the people and countries of Africa itself must take responsibility for their own future. Of all the continents in the world, in my view, it is the continent of Africa that shows the strongest shared

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sense of a continent as a whole and thus of commitment to mutual support.

Whilst governance is largely home made, it is also heavily influenced by history. The legacy on governance left by the colonial powers in Africa was much, much weaker than, for example, in India. There is a similar legacy in terms of the geography of Africa to which we now turn as the second of the key causes. That geography is tough and it is made tougher by there being in SSA 48 countries—again a colonial legacy. Political borders quickly become economic barriers. Try, for example, taking a truck across an African border. All too frequently, money will have changed hands and there will be a lot less inside the truck after driving 100 yards from one side of the border to the other. And it will have taken you days to cross. Many geographical barriers are in essence governance barriers.

Nevertheless, much of Africa suffers from a physical geography, which makes transport difficult, and this is compounded by the lack of infrastructure. African railways go largely from points of natural resource extraction to the nearest port convenient for Europe. In contrast, if you look at the railways of India, they join up India. It is a very different structure and again largely historically inherited. The consequences of the interaction of governance and geography for transport costs in Africa are illustrated in Figure 4.

The challenges of geography are not confined to transport costs. Africa has the climatic conditions that support a particularly pernicious form of malaria. And there are large areas that are severely prone to drought. It is very striking that in India 40% of the arable land is irrigated whereas in Africa the figure is just 4%. This lack of irrigation, together with the rest of infrastructure, is one of the reasons why Africa is so vulnerable to climate change.

There is one further and vitally important obstacle to development which has afflicted Africa, particularly southern Africa, in the last 20 years and that has been HIV and AIDS. The result is that whereas Africa's literacy does not compare too badly to that of South Asia, Africa is the only region of the developing world where life expectancy has been falling in the last 15 or 20 years.

This sketches briefly the Commission's analysis of the causes of Africa's weak progress in the last three decades. If you put the causes together, you have development traps in terms of weak governance and geography leading to low and ineffective investment in

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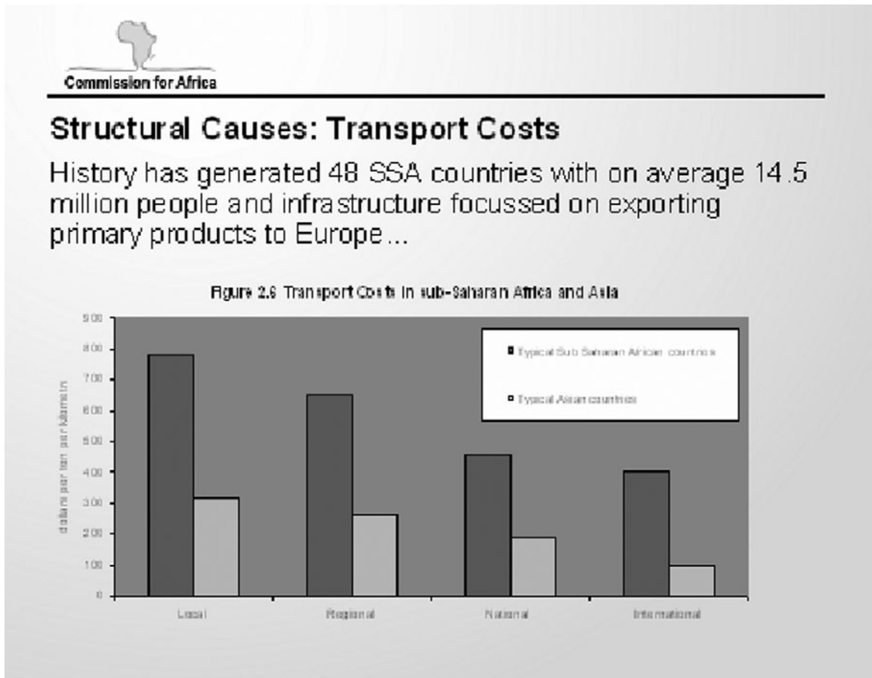

Figure 4: *Transport Costs in Sub-Saharan Africa and Asia. Source: Report of the Commission for Africa, www.commissionforafrica.org*

physical assets and infrastructure and weak investment in health and education. These in turn lead to the persistence of poverty, high mortality rates and high birth rates, weak governance and a higher probability of conflict.

While Africa's rate of population growth is falling, it is still around 2% per annum, very high relative to Asia, around 1% per annum. This high rate is in large measure both a consequence and a crucial feature of these traps.

Strong action on governance supported by substantial outside help will, in most cases, be necessary to break out of these traps. That is why we speak of a 'big push'. We must emphasise very strongly that this is not simply about resource. It is also about supporting radical change in governance, methodology of outside support, building external support systems and external opportunities for trade. Given the multi-dimensionality of the traps, the action to overcome the obstacles must also be multi-dimensional.

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Among the consequences of the causes we have described has been a collapse in Africa's share of world trade. Whilst Asia's share has grown very strongly in the last 25 years, with major breakthroughs in low-cost manufacturing from some of the poorer countries, Africa has seen its share fall from around 6–2%. Africa is, on the whole, made up of small countries and does not itself even in aggregate constitute a big market. For Africa, as with most developing countries, the growth of exports must be at the heart of the story of growth. And for different countries there will be different opportunities and obstacles: some have natural resources, some are landlocked and some are coastal. But 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. A major part of the challenge of development in Africa is to foster export-oriented growth.

3. Recommendations

The structure and substance of the recommendations of the Commission are based on this analysis. Governance and geography are not destiny. They can be changed by public action and by investment. The first set of recommendations concern the foundations that we have emphasised throughout—governance and peace and security. Without these foundations, investment will be discouraged and public services vital for health and education will function badly.

Investment itself is the subject of the next two sets of recommendations: investment in people and growth and investment together with the factors shaping investment. Investment in people is in large measure in education and health. Most physical investment is private and thus the climate for investment is of crucial importance. Trading opportunities are also a big part of the growth story. The final two sets of recommendations concern resources and implementation. Notice that resources come towards the end of the argument, on the basis of an analysis of what needs to be done in relation to objectives and obstacles rather than as an 'opening demand'.

Let us begin then with governance and peace and security. These are mainly made at home, but there is a great deal that the world can do to support their improvement. As with the other

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recommendations, full detail is given in the Report and we focus here only on some central examples for action. We looked at the story of governance essentially in terms of capacity and accountability: there is much the international community could do to help support Africa's efforts to improve both.

Taking capacity first, there was particular emphasis on investing in education, particularly primary, with a focus on girls, but also right through the system. From the point of view of governance capacity, investing in higher education, including in science and technology, is of particular importance. Africa's universities in the 1960s were in many cases quite strong. They have deteriorated greatly in the last 30 or 40 years. A regeneration of Africa's systems of higher education is crucial to improving governance. The higher education system also plays a key role in generating the teachers and medical staff vital to human development. And it is vital to overcome the deficiencies in science and technology, which have so much to contribute to Africa's resurgence. Of course, if you want to keep your skilled people, you must also work to create an environment where they have some incentive to use their skills—an environment that they find professionally rewarding and productive. In this way, improvements in governance are self-reinforcing. Other parts of the story of increasing capacity include investing in civil service reform and so on, but I will not go into the details here.

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'. Further, so much of conflict in Africa is driven by and financed through natural resource rents (Collier *et al.*, 2003). Data systems are very weak on average in Africa and investing to improve them advances both the capacity for policy and the capacity to implement. Stronger institutions of higher education, think-tanks and skilled NGOs can and should hold governments to account particularly with better data. Thus, building greater capacity can also contribute to better accountability.

The ways that overseas aid is given can have a strong influence on both capacity and accountability. Too much of aid involves heavy

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accountability to a whole string of different aid givers. The result is that governments use precious capacity in writing reports to outside donors and lenders. Further, in this process, attention is diverted from accountability to their own people. Many outside agencies now recognise the link between better governance and more effective use of aid, and they also recognise that governance is mainly made at home. But they should not simply, as a few appear to do, leave their telephone number and e-mail address, telling poor countries to contact them later after their governance has improved. There is much that outsiders can and should do to lend support to the process of improvement.

Of special importance to that process is support for the APRM of NEPAD described briefly earlier. 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 and its development and strengthening requires there to be resources to help implement its findings. These could include, for example, the improvement of budgetary processes, judicial reform, civil service reform and the like. Some of these may require substantial resources and the development community should stand ready to provide assistance. Confidence both that this assistance will be forthcoming and that the international community is focussing on the APRMs could, in turn, increase still further commitment to the APRM process in Africa.

Peace and security is like governance in that it is, in large measure, made at home. Again, however, outside support has a great deal to contribute. Indeed conflict is an extreme form of breakdown of governance. And similarly to governance, Africa, through the African Union is now getting very constructively involved as a community of nations, in finding resolutions to conflict in an active way. Their initiatives require strong support, for example, in providing logistics so that African troops can reach points of conflict quickly and avoid 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. Transparency over resource payments can play a strong role here and outsiders can again make a major contribution. For example, sharper definitions of which goods are 'conflict goods' and how they can be controlled would be of great value. This would allow the 'Kimberley

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process' for diamonds (which works via an identification of sources) to be extended to other goods.

Further, the world must recognise that investing in development itself is a key factor in building peace and security. The rich world spends about \$900–1000 billion on defence each year. It currently spends around \$75 billion each year on aid. The evidence shows (Collier *et al.*, 2003) that conflict is much more likely in poor societies. Further, there is much that the rich world could do to exert greater control over the arms trade. Again specific proposals are in the report.

We now turn from those basic foundations to two broad kinds of investment, investment in people and investment in growth. Investment in people accounts for around half of the resources that were recommended by the Commission for Africa, and is particularly focused on education and health. There are two big messages here. First, that unless we move to support the development of health and education systems, other kinds of interventions are going to be fatally weakened. You can parachute as many anti-retroviruses into Africa or anywhere else as you like, if the health systems do not work it will not have much effect. Thus it is crucial that the various initiatives that come on health, for example, on HIV and AIDS, malaria or TB, work to support and strengthen the functioning of systems in Africa and do not lead to further fragmentation of the health systems. The most fundamental task is to invest strongly in building health systems that work, and work for poor people, and in which health professionals can function effectively. 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.

The second key message here is to recognise that meeting the MDGs for health and education will require big increases in funding. We have reasonable estimates of what it costs to make a difference. Further, finance, health and education ministries in developing countries cannot make the commitments to expand their health and education systems—including training and hiring health and education workers—unless they have confidence that substantial, long-term funding is available—and funding that covers current investment costs and not simply current costs.

Africa faces a very particular crisis and tragedy in HIV and AIDS. The resources involved in treatment are major, and are over and

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above the building of the health systems, which are themselves crucial to delivery. Further, HIV and AIDS itself strikes at the staff of these health and education systems. The challenge of treatment and prevention are intertwined. Prevention, in particular, requires leadership at home and effective persuasion in changing behaviour. Of special importance here are the power relations between men and women. Organising sex workers, as experience round the world has shown, is one element. So too is the whole process of education. Further, HIV and AIDS have resulted in a substantial increase in the number of orphans with potential great pressure on the public finances involved.

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 such scheme is to provide a guarantee to purchase at a price that rewards research and development, vaccines, drugs and treatment that are demonstrably effective for key diseases affecting Africa and the poor countries.

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 and cropping patterns, for example, better health is supported by better water supplies; children get to school and the sick to hospitals, much more easily if transport is better; and so on.

Let us move now to the story of growth and participation in growth. We laid great emphasis in the report on the role of better governance in improving the investment climate. The investment climate in Africa, in terms of the difficulties of actually working in business, 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). Thus in considering measures to improve the investment climate, we should think first of the climate for domestic investors—and we must recognise that the most important private firms in poor countries are the family farms. The big majority of the poor people in Africa are in rural areas and particularly with those who depend on agriculture for their livelihood.

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Both the involvement and behaviour of foreign direct investors 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. And 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 about $10 or 12 billion a year in infrastructure. For Africa to achieve the 7% growth rate that should be its target (discussed further below) then these infrastructure investment levels must be doubled or tripled. 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. That was quite simply a mistake, a mistake in which a number of development institutions including the World Bank, Department for International Development (DFID) and others participated. If you look at the numbers, something like 20% of infrastructure in Africa is financed by the private sector and nearly all of that is in telecoms. That is not so wildly different from finance for infrastructure elsewhere in the developing world—average figures in other continents might be 75% public and 25% private finance. Thus to pretend that suddenly the problems of infrastructure will be solved in major part by private finance is profoundly mistaken. The private sector can and should build the roads and build the bridges. The private sector and local communities can carry out maintenance. But that is not the same as financing the roads and financing the bridges.

One key area of infrastructure of special importance for agriculture is irrigation. Only 4% of arable land in Africa is irrigated compared with 40% in India. The investment requirement, in this case, is likely to be a mixture of public and private with smaller schemes being carried out by farmers themselves. But they will need credit and that must be in many cases fostered or provided by public action.

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Trade is vital to the growth story and the Commission had much to say though I will not develop this in detail here. The trade experience of Africa has been very different from Asia. Africa's share of world trade has dropped over the last 20–25 years from about 6% to something under 2%. Rich country barriers to trade from poor countries are disgraceful, but that drop was not caused by the barriers that Africa faces. Asia faced the same or higher barriers. Further, while Africa has created policy barriers to its own trade, they are not substantially higher then elsewhere—see for example, the reports in the series Global Economic Prospects of the World Bank. The collapse in Africa's share of world trade is in large measure explained by major defects and stagnation in the capacity for trade in Africa whilst that capacity was advancing strongly elsewhere. The state of infrastructure is a major part of the story. But so too are skills which 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.

That being said of course the barriers which Africa and other developing countries face, particularly in agriculture, are indeed disgraceful. The report says this very clearly. Those barriers are politically antiquated, economically illiterate, environmentally destructive and ethically indefensible. They must go. 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—that will not happen without developing country support. And that in turn will not happen unless rich countries make strong reductions in agricultural protection.

The reduction in barriers, as we have argued must be accompanied by investment in Africa's capacity to trade. But Africa is likely to need more assistance in trade expansion than this. There are trade preference schemes that benefit Africa, such as the USA's Africa Growth and Opportunity Act and the EU initiative Everything But Arms. Whilst these schemes are of value to Africa, they often do not function well, particularly as regards 'rules of origin' which can be very restrictively applied, to the point where it smacks of protectionism by the back door. There are other important non-tariff barriers too. As trade barriers generally come down, as they should, it is important that the arbitrary

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actions and bureaucratic restrictiveness, that so often accompany the trade preferences that exist, are eliminated. In this way the pace and impact of 'preference erosion' (lower value of trade preferences as barriers come down) for Africa are mitigated.

Growth generally brings poverty reduction (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 growth and help drive growth. A large part of that story lies in health and education: these are not only goals in their own right as vital parts of standard of living, they are also drivers of growth.

However, fostering the participation of poor people in growth goes well beyond the promotion of investment in health and education. It also includes breaking down the barriers that poor people face. Many of these barriers arise through gender, language, caste, colour, religion, or ethnic group. They often lie deep in the society and culture. Change that overcomes the exclusion and poverty that results from these barriers must be largely driven from within. But again there is a great deal that outsiders can do to help, including providing resources for girls' education, improving property rights and so on. I take further some of the arguments on empowerment and participation in my recent book entitled 'Growth and Empowerment: Making Development Happen' (Stern *et al.*, 2005).

The Commission did not try to take a strong sectoral view of growth in terms, for example, of key sectors to be favoured in 'industrial policy'. But it did emphasise that development experience pointed strongly towards the importance of exports. In thinking about the structure of growth we must remember that the countries of Africa differ greatly. Endowments and geographical position, and thus dynamic comparative advantage, vary enormously across Africa. Some countries are coastal with trading advantages, some have better agricultural land, and some have strong natural resource endowments. Amongst sectors, however, we do emphasise agriculture. This is the sector on which most people in Africa depend for their livelihood.

Stronger growth in agriculture in Africa requires action across a number of fronts, including: infrastructure, particularly transport and irrigation; agricultural extension; the development of improved

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varieties of crops; poverty rights which give incentives to invest in the land and farm, including for women; access to microcredit; physical security so that long-term rewards to investment can be realised; better forecasting and response to weather and pests, and so on. The importance of this last element is emphasised still more strongly by climate change. All this involves strong action across a number of fronts. The performance of agriculture in the past has been very weak: output per hectare over the last 40 years is virtually unchanged whilst population has trebled.

Given the pressure of rapid population growth and the stagnation of agriculture, it is not surprising that there has been a dramatic migration to towns and cities. These are now growing at well above 5% per annum. Within a generation, more than half of the population of Africa will be urban. The investments in infrastructure that are made, or not made, in the next two decades will shape the quality of life and efficiency of African towns and cities for many generations to come. This is a particular reason for urgency of action, which is of great importance.

We argue that, on aggregate, the target for growth in sub-Saharan Africa should be at least 7%. Let me offer a brief explanation. Africa is becoming more and more marginalised, in terms of income and output per head, from the rest of the world. Asia is growing about 7% and it has a population growth rate which is less than Africa's. 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: thus we know it is possible from the experience of Africa itself. And we know it is possible from East and now South Asia: and let us remind ourselves how pessimistic the world was about Asian prospects in the 1950s and 1960s.

Those of you who like doing your mental arithmetic will also know that a 7% growth rate gives a doubling in a decade. People whose eyes might glaze over at the difference between 6½ and 7½% usually are able to understand pretty clearly an objective stated in terms of doubling income in Africa over a decade. The fact that it is a goal, which is easy to communicate adds to the attractiveness of the 7% number. Interestingly in 1980, China stated its ambitions in terms of doubling in a decade and then again in the next decade. It more than achieved these targets. The major

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arguments for the 7% target, however, concern not this simplicity of communication but, first, marginalisation from the rest of the world and, second, what is necessary to give Africa any chance of meeting the MDGs. Rapid growth is necessary not only for achieving the poverty reduction target on the income dimension but also for creating an internal resource base for financing health and education objectives.

The programmes we have described involve a strong increase in investment and in resource flows. As we have told the story and that is what the analysis dictates, the programmes must be integrated—the challenges require action across several fronts. But we must now ask about the magnitude of the aggregate flows involved. We tried to answer that question by looking at the detailed evidence relevant to the suggested programmes from those who had worked on particular actions and sectors rather than trying to carry out new costing plans ourselves.

The results from costing the package are summarised in Figures 5 and 6.

The overall package costs an extra $75 billion per annum. That is a very large demand for extra resources in the context of a current Gross Domestic Product (GDP) of sub-Saharan Africa of $300–400 billion (at current exchange rates) and aid of around $25 billion per annum (2004). On the other hand, $25 billion per annum represents 0.1% of current income of the 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 $25 billion, of the extra could be generated internally, leaving $50 billion per annum 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 $50 billion per annum of external aid should come in two stages: an extra $25 billion per annum by 2010 and, depending on a review of experience a further extra $25 billion per annum between 2010 and 2015 (Figure 6).

Within this package, we argued for an extension of the debt reduction initiative for Highly Indebted Poor Countries (HIPC), known as the HIPC initiative. Under this initiative, most of the bilateral debt for included countries had already been written off. But the Commission argued that a number of poor countries were

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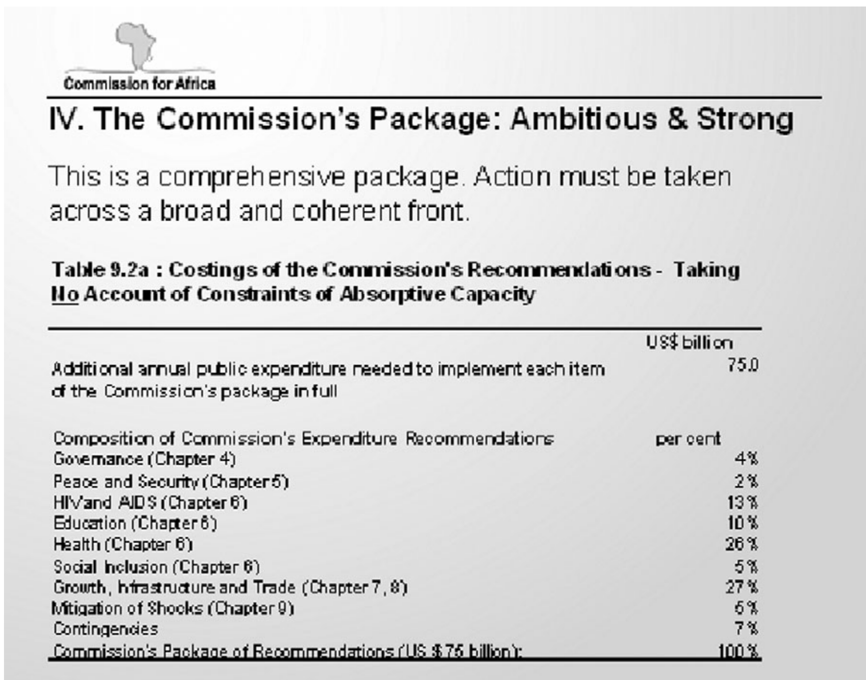

Commission for Africa

IV. The Commission's Package: Ambitious & Strong

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

Table 9.2a : 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)	6%
Contingencies	7%
Commission's Package of Recommendations (US $75 billion):	100%

Figure 5: *Costings of the Commission's Recommendations—Taking No Account of Constraints of Absorptive Capacity. Source: Report of the Commission for Africa, www.commissionforafrica.org*

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.

4. Will it Work?

The increases in investment in infrastructure, health and education we have proposed are largely 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

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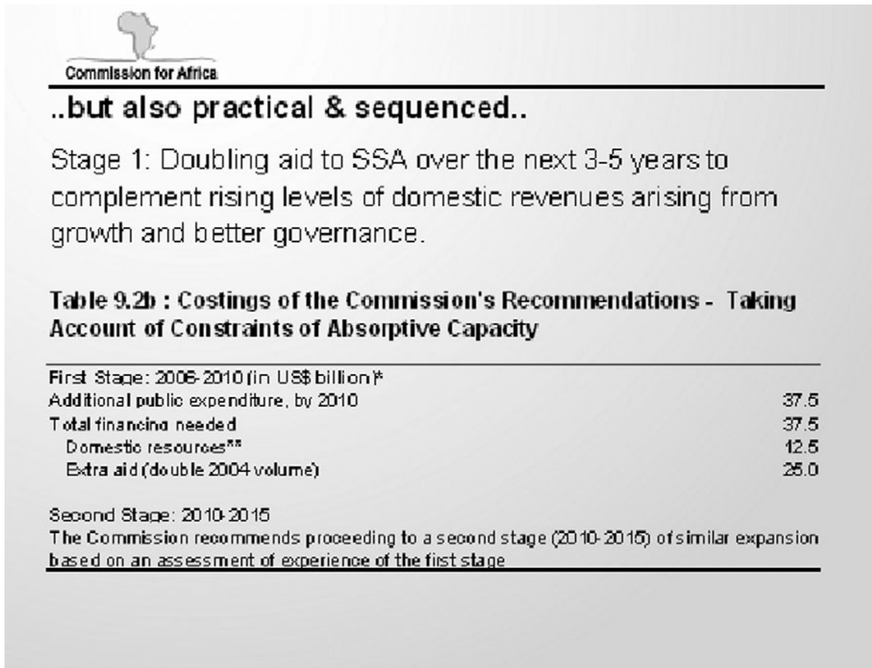
Commission for Africa

..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.

Table 9.2b : 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

Figure 6: *Costings of the Commission's Recommendations—Taking Account of Constraints of Absorptive Capacity. Source: Report of the Commission for Africa, www.commissionforafrica.org*

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. It is not about 'business-as-usual' only bigger. We have been very clear that the foundations for all this lie not only in a major changing of ways internally, but also in changing the ways of donors. What is necessary is a recasting of the whole relationship between Africa and the international community.

We must analyse what is involved in using aid effectively or in 'absorption'. The capacity to absorb aid, i.e., use it effectively to get results, depends on three things broadly speaking. It depends, first, on governance, institutions and policy in the country itself. It depends, second, on how aid is allocated across countries. And, third, it depends on the quality of the aid in terms of its predictability, conditionality, harmonisation with other aid givers, the burdens of

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accountability, the orientation of accountability (donors versus internal), tying and so on. There is evidence of improvements on all these three factors, which together determine the productivity of aid—see, for example, the Global Monitoring Reports of the World Bank for 2004 and 2005. 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 (often in the form of regressions). I cannot go into detail here but the reader may consult Chapter 9 of the report for a careful account. Essentially the conclusion that we come to is that, given the changes that have already occurred in the three factors identified above, Africa could absorb an extra $25 billion of aid per annum by 2010. We went on to argue that, subject to analysis of experience over the next five years, in particular on examination of how well those three factors, described above, that shape the productivity of aid, have progressed, then there should be a further increase of £25 billion per annum between 2010 and 2015. If carried through effectively the results would enable Africa to reach the 7% target for the growth rate proposed and to make strong progress towards the MDGs in growth and education, including reversing the tide of HIV and AIDS, achieving universal primary education, and a powerful reduction in child mortality rates.

The improvements anticipated in terms of progress in all three factors were not based simply on hope. On the first—governance, institutions and policy in a country—we have seen a rising trend (see: Global Monitoring Reports of the World Bank for 2004 and 2005). Further, the whole package proposed is orientated towards fostering further improvements on this dimension. On the second, criteria for allocation of aid are being applied more systematically and more on the basis of development rather than political criteria. Partly this is because the Cold War is no longer being fought on African soil and therefore support for dictators such as Mobutu in Zaire is less likely. The World Bank's soft arm, In Defence of Animals, applies development criteria explicitly and quantitatively. So does the UK's DFID, at least since 1997. On the third, which largely concerns the quality of aid, the report has specific recommendations on how to make further improvements. For example, setting long-term commitments to reach the 0.7% of GDP target for rich countries will keep aid on a rising, predictable and stable path.

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The Commission recommended establishing the International Finance Facility (IFF), proposed by Gordon Brown, which allows borrowing against future commitments on aid, and thus smoothing flows over time. This means both that substantial increases can be made now and that we can establish a secure and predictable profile for the future, in particular, in the context of the planned rise towards the 0.7%, target, which has now been accepted, by the big countries of the EU. It can bring both the 'front-loading' that the urgency requires and the predictability required for medium-term commitments on health and education. Resources raised by the IFF, the report argued, should be spent via existing institutions. If that were to be the World Bank, it could provide it with much needed grant finance to blend with its loans.

The report stressed that the world does not need more development institutions, but it does need strengthening of existing institutions to make them more effective. For example, it proposes fostering greater capacity at the African Development Bank (ADB) including by giving it major responsibility for an expansion of infrastructure finance supported by capacity building at the ADB and the sharing of expertise from other international financial institutions. And it recommends greater transparency and accountability of both bilateral and multilateral development institutions. One example of this would be further extension to other countries of the mutual assessments carried out in Tanzania where the government, aid givers and NGOs examine and appraise the performance of each other. A second would be greater explicitness by not only bilateral particularly, but also multilaterals, on the breakdown of aid. On average, it seems that less than half comes as disposable cash for long-term assistance (see e.g., analyses by the Development Assistance Committee of the Organisation for Economic Cooperation and Development). Much is 'spent' on technical assistance, scholarships in rich countries, short-term crisis assistance, writing off of unpayable debt (which does not release resources in contrast to circumstances where debt is being or will be serviced) and so on. Multilaterals particularly the World Bank and IMF should be much more transparent in their choice of heads, with appointments unrestricted by nationality or region, but focussed on who has the most appropriate talents for the job.

The multilateral institutions, and the bilateral, have a long way to go in developing the idea of partnership based on common

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humanity, solidarity and respect, set out at the beginning of this paper. This means learning better how to build trust and work together for results and relying less on conditionality. No doubt, some conditionality will be unavoidable for the purposes of accountability to taxpayers in rich countries. But putting resources to good use is the basic issue and this is more likely to come from building a partnership in the sense described than insisting on detailed conditionality. This applies particularly where much of this conditionality is formulaic and occasionally misguided or ideological—see the example of private finance for infrastructure above.

These arguments show that 'absorptive capacity' and the effectiveness of aid are not some abstract, fixed or exogenous attributes, but can be influenced directly by actions. Nevertheless we do not assume that such improvements will definitely happen, even though we believe them to be likely, and recommend working to increase the likelihood. That is why the pragmatic, two-stage approach: with first one major increase to 2010, then a second, after appraisal of the first stage, is recommended.

5. Concluding Comments

This work set out not only to take account of the politically possible but also to expand horizons and change the politics. To do this, a strong foundation in analysis 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. It seems that so far at least, five 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 Siste 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. Nevertheless on the resource dimension, there was strong progress with a commitment to generate the extra £25 billion per annum for Africa between 2004 and 2010 that

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the Commission proposed. Thus the work of the Commission does seemed to have influenced key arguments and decisions in important ways. However, consistent with its fulfilling its original purposes and with its recommendations not to create new institutions, the Commission for Africa disbanded after Gleneagles.

Delivery on the commitments and in a way that 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 seriously damage 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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