



**UNITED NATIONS
ECONOMIC COMMISSION FOR AFRICA**

**THE MONTERREY CONSENSUS AND DEVELOPMENT FINANCE IN
AFRICA: AN OVERVIEW**

*Talking Points for Presentation at Side Event on “Global Economic and Financial Crisis:
African Perspectives and the Way Forward”*

by

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INTRODUCTION

- It is a great honour for me to be with you at this special side event on the “*global financial crisis, implications for Africa and the way forward*,” organized by the African Union Commission (AUC), the United Nations Economic Commission for Africa (ECA), the African Development Bank (AfDB), and the Africa Progress Panel (APP).
- This meeting is a follow-up to the High-Level Forum on the same theme organized by the AUC, ECA, the AfDB and the APP in Tunis on the 12th of November 2008 where we looked at the importance of a concerted and coordinated approach by Africa to manage the challenges posed by the current crises for private capital flows, banking sectors, financial markets and remittances. ECA is pleased to have co-organized the forum with our sister institutions and look forward to continuing this strong relationship as we strive to build vibrant and sustainable economies in Africa.
- My statement today is on the Monterrey Consensus and Development Finance in Africa. I will present our assessment of where we are in terms of the implementation of the Monterrey Consensus and then offer some thoughts on how to move the Agenda forward.

II. TRACKING PERFORMANCE AND PROGRESS

- A key question that the international community has to answer is “to what extent have the objectives of the Monterrey Consensus been achieved in the six core areas?”
- The ECA, NEPAD and the OECD launched the Mutual Review of Development Effectiveness (MRDE) to monitor the implementation of international commitments made by Africa and its development partners. The first report was published in 2005 and the second will be published in early 2009.

- My assessment of the degree of progress in the implementation of the Monterrey Consensus will be based on information from two sources:
 - The ECA-NEPAD-OECD Mutual Review of Development Effectiveness which focuses on published macroeconomic data; and
 - ECA survey of African policymakers

Key Messages from Available Evidence

- Some progress has been made in the area of domestic resource mobilization. For example, in Sub-Saharan Africa, the domestic savings ratio increased from 18 percent over 1997-2002 to 23.8 percent over 2005-2007. In addition, domestic revenue increased from \$138 billion over 1997-2002 to \$367 billion in 2007.
 - This conclusion based on macroeconomic data is consistent with results of the 2007 ECA survey which indicates that sixty-nine percent of the respondents rated the performance of their government in mobilizing domestic savings as either good or fair.
 - Higher commodity prices, stronger economic growth, and more effective tax administration contributed to the recent performance.
- On International Resource Mobilization, the data shows that total private capital flows increased from US\$17 billion in 2002 to \$81 billion in 2007. However, the region still receives less than 3 percent of global flows. Remittances are also becoming an increasingly important source of finance – increased from US\$13 billion in 2002 to US\$36 billion in 2007.
- International Trade. Although Africa's merchandise trade has increased in recent years, its share of world trade (2.7 percent) has not changed significantly relative to the Monterrey period.

- Thirty-four percent of respondents to the ECA survey indicated that trade is the area of the Monterrey Consensus where there has been the least progress.
 - The main barriers to export promotion in the region are market access and supply constraints

- Official Development Assistance (ODA) flows to Africa have increased since the adoption of the Monterrey Consensus. Net ODA to Africa increased from \$22 billion in 2002 to \$39 billion in 2007.
 - But donors are still not on track to meet their commitments and recent aid flows tend to be concentrated in a few countries and social sectors.

- Lack of aid predictability, aid fragmentation and excessive conditions on aid flows continue to hinder efforts to improve aid effectiveness
 - The Accra Agenda for Action called for more efforts to deal with these constraints and increase country ownership of development policies and outcomes.

- Significant progress has been made in the area of external debt. The ratio of debt to GDP fell from 60 percent in 2002 to 24 percent in 2007. This is consistent with the results of ECA survey which show that external debt is the area where the most progress has been made.

- On systemic issues, the international community has not done enough to increase Africa's voice in the governance of international monetary, financial and trading systems.
 - 56 percent of respondents to our survey disagreed with the notion that the current governance structures allow for effective participation of African countries in the global economy.

III. THE WAY FORWARD

- Evidence from both macroeconomic data and ECA survey of African policymakers suggest that very limited progress has been made in achieving the goals of the Monterrey Consensus
- More efforts are required by both African governments and development partners to mobilize resources needed for development in the region

Domestic and International Resource Mobilization

- African countries need to take concrete actions to boost savings by exploiting the potential of micro-finance institutions, promoting regional integration of capital markets, and aligning trade reforms with fiscal policy responses.
- They also need to improve the investment environment, develop financial infrastructure, and reduce transaction costs of remitting money from abroad.
- They should be selective in their choice of FDI flows with preference for sectors with high-value added.

International Trade

- African countries have to move into the export of new and dynamic products in world trade if they are to increase the region's share in global exports.
- Diversification of the production and export structure is necessary boost export of dynamic products. The Aid for Trade initiative can contribute to the attainment of this objective.
- Development partners should create a trading environment that allows the region to unlock its export potential.

Official Development Assistance

- Africa's development partners must scale up efforts to meet their pledges on doubling aid flows to Africa by 2010.

- They should also live up to their promise to untie aid flows and make them more predictable.
- There is also the need for better allocation of aid across countries and sectors to maximize impact

External Debt and Systemic Issues

- Despite progress in debt relief, there is the need to extend eligibility for current debt relief programmes to non-HIPC African countries.
- African countries should also put in place a mechanism to ensure that loans from new creditors do not lead to a new cycle of indebtedness.
- The international community should begin to take more seriously the issue of increasing the voice of African countries in decision making bodies of international institutions.

CONCLUDING REMARKS

Let me end by saying that the implementation of international commitments to Africa is critical to meeting the Millennium Development Goals in the region. Our review of the implementation of the Monterrey Consensus suggests that very limited progress has been made in achieving the overall objectives. We hope that the current financial crisis will not lead to a reduction in ODA flows to Africa. Indeed, the Doha Review Conference presents an opportunity for the international community to turn existing development finance commitments into actions that deliver the sort of economic and social development that African countries rightly need and deserve. Only then will we be able to truly say that we have made the new global partnership work for Africa.

I thank you.