

Overview—tracking performance and progress



Africa grew faster than any other developing region in 2001, reflecting better macro-economic management, strong agricultural production, and the cessation of conflicts in several countries. But Africa's average GDP growth of more than 4% in 2001 masks wide disparities among countries. Moreover, economic growth remains fragile, and at current rates of progress Africa will not achieve any of the Millennium Development Goals set by the United Nations.

Still, there are many reasons for cautious optimism about Africa's medium-term prospects—including the opportunities created by the U.S. African Growth and Opportunity Act, the European Union's "Everything but Arms" initiative, the New Partnership for African Development, and the launches of the Doha Development Round and the Africa Union. Ultimately, though, Africa's future depends on how it addresses economic and political governance, resolves civil conflicts, and responds to the need for deeper economic and social reforms.

Africa was the only developing region to see faster growth in 2001

Forecasts made soon after the September 11 attacks predicted that economic growth would stagnate in Africa because of lower commodity prices, reduced foreign direct investment, and diminished private capital flows. But the global slowdown has had a much less pronounced impact on Africa than expected. Output has remained relatively strong. Africa's overall GDP growth is estimated to have increased to 4.3% in 2001 from 3.5% in 2000.

Changing commodity prices provide mixed blessings for Africa. Commodity prices are the main channel for transferring external weaknesses to most African economies. Global non-oil commodity prices recovered 2% in 2000 after dropping sharply in 1998 and part of 1999, but prices remained below 1996–97 levels. Moreover, the World Bank's price index for primary commodities from low- and middle-income countries has fallen steadily since 1995.

Terms of trade show no signs of improving in 2001–02. In the first 11 months of 2001 the prices of primary commodities fell in response to the strong downturn in global economic activity. Lowered growth expectations for the world economy after September 11 accentuated weak demand, while supply remained high and the dollar (the currency in which most commodities are priced) stayed strong. In September 2001 average commodity prices were 17% below their cyclical peak of one year earlier.

African exports to the United States jumped. U.S. imports from Africa have grown considerably in recent years, from about \$1.5 billion a month in 1999 to \$2.3 billion a month in 2000. African exports received a further boost with the January 2001 implementation of the U.S. African Growth and Opportunity Act. Although total U.S. imports fell between January and June 2001, imports covered by the act increased sharply—suggesting that these African exports may be insulated from the U.S. economic slowdown.

Africa's emerging markets experienced a sharp increase in private capital flows. Unlike emerging markets in other regions, those in Africa—Algeria, Egypt, Morocco, South Africa, and Tunisia—were not hurt by the September 11 attacks. In fact, between 2000 and 2001 net private flows to these countries nearly doubled, from \$4.9 billion to \$9.5 billion. In addition, net equity investment jumped from \$5.2 billion to \$9.3 billion, mainly reflecting large-scale deals in Morocco and South Africa. Net direct equity grew from \$3.5 billion to \$4.8 billion, driven by privatizations in Algeria and Morocco. And despite weaknesses in global equity markets, net portfolio equity flows shot from \$1.7 billion to \$4.5 billion. Net outflows are likely in 2002, however, as risk-averse investors avoid emerging equity markets. Elsewhere in Africa, stock markets had mixed performance in 2001.

Private credit flows to Africa's emerging markets increased slightly, from a net outflow of \$400 million in 2000 to an inflow of \$200 million in 2001. Still, for a group that includes Africa's largest economy—South Africa—this is an extremely modest amount relative to flows to other regions and to Africa's needs.

Africa has seen a shift in foreign direct investment. Foreign direct investment (FDI) is the most important source of external finance for developing countries—more important than commercial loans, portfolio investment, and official development assistance. Africa's share of FDI in developing countries dropped from 25% in the early 1970s to just 5% in 2000. South Africa is by far the continent's most important source of FDI. Since 1994 South African FDI in other African countries has averaged \$1 billion a year.

Aid to Africa remains low and volatile. Aid to Africa increased from just under \$1 billion in 1960 to \$32 billion in 1991. But by the end of the 1990s aid had fallen to almost half the 1991 level. (Here aid is defined as gross official development assistance—whether grants or concessional loans—from multilateral and bilateral sources.)

Aid from the countries that make up the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD) has been extremely volatile, rising from \$1.3 billion in 1970 to \$23.4 billion in 1991—then falling to \$11.8 billion in 1999. Aid from multilateral organizations has been less volatile, increasing from \$0.4 billion in 1970 to \$9.5 billion in 1994 and then falling to \$6.6 billion in 1999. Aid from Arab countries hardly changed, increasing from \$0.1 billion in 1970 to \$0.3 billion in 1999.

African economies grew faster than expected. In 2001 just 16 African countries experienced GDP growth of less than 3%, down from 27 countries in 2000. The number of countries with growth rates exceeding 3% increased from 26 in 2000 to 37 in 2001, and 3 more countries are expected to join this group in 2002. Thus most African countries appear to

be converging towards growth rates above the “traditional” 3%—with positive implications for poverty reduction.

Africa’s average per capita income grew an estimated 1.9% in 2001—better than the 0.7% increase in 2000 but still not sufficient to achieve the Millennium Development Goal of cutting poverty in half by 2015. In 2001, 30 African countries achieved per capita income growth above 1.5%, and in 2002 this number is expected to increase to 32. Still, raising per capita income remains the biggest challenge for African governments and their development partners.

Economic policies have focused on boosting growth and reducing poverty

Driven by a desire to rapidly reduce poverty, economic policies in Africa in 2000–01 sought to promote macroeconomic stability and higher growth and to improve the delivery of social services. Many governments revived stalled structural reforms such as deregulation and external liberalization. The main themes of economic policy included creating an enabling environment for producers, investors, and employers and improving governance and public finances.

Fiscal policy. In many African countries fiscal policy is now focused on minimizing domestic debt and freeing resources for private sector activity by reducing fiscal deficits and making tax administration and government spending more transparent. But because of higher social spending, among other things, overall fiscal policy was expansionary in 2000.

Monetary policy. To lower inflation, many African governments adopted tight monetary policies in 2000–01. Central banks were compelled to manage broad money supplies by deepening interbank money markets through more regular issues of treasury bills and more effective open market operations.

Exchange rate policy. Exchange rate realignment remained a key challenge, particularly in countries with flexible exchange rates and loose monetary policies. In Africa, where CFA countries have long enjoyed fixed exchange rates through an institutional arrangement with the French government, the 1997–98 East Asian crisis revived a long-standing debate on the merits of flexible and fixed exchange rate systems. CFA countries have preferred fixed exchange rates to promote stable prices, but other countries have relied on managed floating rates.

Prospects for 2002 look favourable

The outlook for African economies in 2002 is shaded by the global slowdown, particularly as it affects South Africa—the continent’s largest economy. But South Africa’s outlook for 2002 is positive, because strong economic fundamentals and a stable macroeconomic environment should allow continued robust expansion over the medium term. Despite increased uncertainty about global economic prospects in the wake of the September 11

attacks, international investors are not writing off emerging markets as an asset class but instead are viewing countries on their own merits.

The three large North African economies—Egypt, Morocco, and Tunisia, which account for 25% of Africa’s GDP—provide the greatest potential benefits for Africa in 2002. Macroeconomic conditions are favourable in all three countries: inflation is low, external reserves are adequate, debt has been reduced to more acceptable levels, and substantial progress has been made on structural reforms (particularly privatization and price decontrol).

With oil prices likely to stay below \$20 a barrel this year, African countries are expected to grow by an average of 3.4% in 2002. Thanks to booming oil revenues, real GDP growth in Equatorial Guinea—Africa’s fastest-growing economy—continues to be extremely high, at around 65% in 2001. Prospects for continued growth look good with the resolution of a territorial dispute between Equatorial Guinea and Nigeria.

Performance among non-oil exporters is also expected to improve in 2002, reflecting reduced political instability and increased agricultural output. Lower oil prices and a modest recovery in the prices of some key commodities, such as cocoa and cotton, should ease import constraints for several non-oil exporters. In many countries, moderating political instability or the cessation of violence should improve investor and consumer sentiment, and the resumption of official development assistance to some countries will support higher public spending.

African countries present striking contrasts in performance and prospects

The seven countries featured in the report have achieved tremendous progress in some dimensions of well-being and little in others. An important lesson from these seven country studies is how closely related different facets of well-being are. The studies show that lack of progress in some elements—such as those relating to governance—hinders progress in others.

Lessons from Southern Africa—building human capital and promoting good governance are crucial for well-being. Compare South Africa, the continent’s largest economy, with Zimbabwe, where impressive progress in reducing poverty and improving health and education in the 1980s has been reversed in recent years.

For South Africa the economic outlook is encouraging. The economy weathered the global slowdown better than most other emerging market economies—from Asia to Latin America. Low external borrowing, depreciation of the rand, and sound financial sector supervision and regulation contributed to the economy’s resilience. And thanks to stronger export competitiveness, the country managed to improve its external accounts.

South Africa’s macroeconomic fundamentals were robust in 2001. The government met its key fiscal and monetary policy targets. Inflation remained within the target band,

and interest rates fell. But South Africa has been unable to transform its impressive gains on the macroeconomic front into high, sustained economic growth. Real GDP growth has stalled below 3% for the past several years, too slow for robust job creation in a country where unemployment remains around 20%, posing a major development challenge.

Moreover, the South African labour market is highly segregated. Unemployment rates differ sharply between the skilled and the unskilled, groups that are clearly divided along ethnic lines. Further exacerbating the situation, new jobs are created in sectors requiring specialized skills, such as the export and financial sectors, while jobs are disappearing in older sectors depending mainly on low- and semi-skilled intensive labour. Difficulty in finding workers with appropriate skills is becoming a major constraint to growth.

South Africa's integration into the global economy has made science and technology education a growing priority. The move from labour-intensive to knowledge-based production depends on technologically sophisticated production procedures, in agriculture as well as in industry. Thus developing human capabilities is essential to accelerate growth and poverty reduction. The key is education that reflects the demand for skilled labour. The South African government has recognized the importance of improving education standards, and fiscal stability is opening the door to large increases in social spending—particularly in education and health—that should boost the economy's long-term growth potential.

By contrast, the situation in Zimbabwe is dire. An estimated 75% of the population lives in poverty. Unemployment is high and growing. And inflation and the balance of payments are worsening. The economy contracted by an estimated 7.3% in 2001 and is expected to shrink by another 5.0% in 2002. Moreover, the 2002 budget leaves little room for optimism. The budget gives no indication that the authorities will allow market forces to determine interest rates and the value of the local currency. And it provides no timetable for lifting the price controls that are exacerbating shortages of consumer goods and driving large parts of industry and commerce into insolvency. Instead, the government appears to be persisting with the strategies that have contributed to the economic crisis.

Poor weather conditions have contributed to the serious decline in agricultural production in Zimbabwe. But land invasions were the straw breaking the camel's back. They not only contributed to the poorest growth performance by agriculture in several years (−9.5% in 2001). They also sparked distress calls in manufacturing and the financial sector as international confidence in the economy waned, export receipts slumped, and capital inflows tapered off. Growth of manufacturing output decelerated by 5% in 2001, and tourism continued its downward trend as Zimbabwe became the only African country to record a decline in international visitors in 2000.

Economic measures adopted to deal with the crisis in production have proved to be unsatisfactory. As the Reserve Bank of Zimbabwe attempted to control inflation by curbing monetary expansion, the government continued its runaway fiscal spending supported by massive borrowing from the central bank. This policy not only has fuelled inflation but also has crowded out the private sector's access to credit, leading to further

deterioration in employment opportunities for ordinary citizens. Export competitiveness declined as the real exchange rate appreciated with the high inflation rate and fixed nominal exchange rates, while rising production costs stifled manufacturing activity.

Zimbabwe faces a crisis of governance that has effectively put a stop to economic progress. The best opportunity for averting a deepening of the crisis and a worsening of the living conditions of ordinary Zimbabweans lies in improving governance, adopting sound economic policies, and minimizing political alienation and maximizing pluralism. Whether Zimbabwe seizes this opportunity is largely in the hands of the government.

Lessons from East Africa—sound economic management is key to poverty reduction. In East Africa two countries provide an illustrative comparison—Ethiopia, credited with being a well-managed reformer, and Kenya, mired in pre-election uncertainty, locked out of multilateral lending since 2000, and registering only anaemic economic growth over the past five years.

Since 1992 the Ethiopian government has focused on reorienting the economy through market reforms, including structural adjustment. It has cut tariffs, relaxed quota constraints, simplified licensing procedures, eased foreign exchange controls, begun privatization, authorized private banks, decontrolled interest rates, introduced interbank money and foreign exchange markets, and discontinued compulsory cooperative membership and grain delivery. The government has also adopted agriculture-led industrialization as a central plank of its development programme. The strategy focuses on promoting productivity growth on small farms, primarily through an extensive extension programme and labour-intensive industrialization. These reforms, combined with peace and favourable weather conditions for most of the past decade, produced good economic outcomes.

In 1992–2001 real GDP growth averaged 6% a year. Exports grew by about 5% a year, though there was considerable volatility. Inflation averaged about 4% a year. And by 2000/01 investment had risen to 16% of GDP. These outcomes reflect big improvements over 1975–91, suggesting that the policy stance has helped to strengthen economic performance. And the positive trends are expected to continue, with GDP growth of 8.7% in 2000/01 and 7.0% in 2001/02.

Despite the good news on the macroeconomic front, uncertainties remain that may hurt private sector operations and thus economic performance. One issue is contraband trade, which the business community argues has undercut legal operators through cheap imports, limiting their capacity to grow and even endangering their survival. Developments in the financial sector—particularly the anti-corruption campaign, which has affected the country's largest bank, and the withdrawal of some foreign participants—may also have created uncertainty, eroding private sector confidence. These developments appear to have reduced the confidence of bank officials in making business decisions, curtailing credit to the private sector. It is still too early, however, to quantify the effect of these factors on the country's economic outlook.

On the social front, Ethiopia's relatively strong economic growth supported gains in the past decade. The growth reversed the secular decline in per capita income, and the

national poverty rate dropped significantly. Per capita consumption spending rose in both urban and rural areas. Moreover, net school enrolment ratios moved up, and both child mortality and malnutrition rates declined. Still, Ethiopia remains one of the world's poorest countries. The country needs to raise productivity much further and attain significant structural transformation. Effective institutional reform with improved governance and a better civil service will be key in achieving these objectives.

For Kenya the main impediment to development is poor economic governance. Weak infrastructure, widespread corruption, escalating insecurity, poorly managed public resources, and the public sector's inability to deliver services efficiently have undermined development. These governance problems have hurt private sector activities, as shown by the decline in investment. Gross fixed capital formation fell from 21% of GDP in 1995 to 15% in 1999.

Reflecting these circumstances, recent economic trends in Kenya have been disappointing. GDP growth, declining since the mid-1990s, has fallen substantially below the population growth rate, estimated at 2.4%. In 2000 real economic growth turned negative, dropping to -0.3%—its lowest level since independence—from 1.4% in 1999 and 1.8% in 1998. These rates are far below government targets of 2.7% for 2000/01, 3.5% for 2001/02, and 5.0% for 2002/03. Agriculture, which traditionally accounts for the largest share of GDP, shrank by 2.4% in 2000, while real manufacturing output fell by 1.5%. The balance of payments worsened, with current account and trade deficits increasing.

Deteriorating economic and social conditions are also reflected in other key measures. Poverty has increased, and income inequality and social indicators show worrisome trends. In 2001 the number of Kenyans living below the poverty line increased to an estimated 15 million. More than three-quarters of rural and urban poor cannot afford private health care and so depend on public health facilities. Yet nearly three-fifths of the poor do not even seek public health care because drugs are unavailable. Education indicators are also weak for the poor: 13% of the urban poor and 29% of the rural poor have never attended school—and education's high cost is cited as the main reason. Thus the country's most crucial challenge is reviving economic growth and reducing poverty.

To meet this challenge, the government needs to successfully restructure the public sector, reform the management of public spending, strengthen public sector accountability, and combat corruption. It also needs to take steps for the resumption of multilateral lending, which will require passage of a constitutional amendment to re-establish the Kenya Anti-Corruption Authority and an economic crime bill to create a code of conduct for public officials. Since parliament has rejected these bills many times, the prospects for their passage remain slim before the elections that have to be held before January 2003.

Lessons from West Africa—political stability and credible reforms enhance opportunities for integration. In West Africa, compare Guinea with Nigeria. Though both are richly endowed with natural resources, they face different challenges.

Guinea is making tremendous progress in moving from a command to a market economy, though it has been a difficult road. Major reforms undertaken since the political tran-

sition from a socialist regime indicate a political commitment to rehabilitating the economy and fighting poverty. Macroeconomic reforms focus on improving the public sector, liberalizing the exchange rate regime, deregulating prices and interest rates, restructuring the banking sector, monitoring public spending, and strengthening national capacities to manage a market economy—all while emphasizing a participatory approach to development. Though results are not uniform, overall progress has been good.

The Guinean government has also embarked on ambitious reforms in the mining sector, which dominates the country's economic activity and provides much of the employment. The reforms are aimed at improving the sector's legal and regulatory environment and restoring its competitiveness. In addition, the state has initiated a privatization programme to reduce its involvement in mining and encourage private sector prospecting in new regions. These programmes are expected to significantly expand production and create links between mining and other sectors.

To complement these reforms, the government is undertaking massive investments in transport, energy, and telecommunications. It has also introduced a wide-ranging privatization programme, focusing on energy and telecommunications, to encourage private sector participation, especially in building infrastructure. These efforts will help to increase use of the country's largely unexploited mineral resources, bolster its position as an important mineral exporter, and accelerate its economic recovery and integration with the global economy. Moreover, the cessation of cross-border conflicts in the subregion provides an opportunity to increase cross-border trade with Guinea's partners in the Economic Community of West African States (ECOWAS).

Meanwhile, Nigeria is struggling to deliver a "democracy dividend", expected to include faster economic growth and higher standards of living. GDP growth in 2000 and 2001, though higher (at 3.8% and 4.0%) than in 1999, was still too low to bring about an appreciable increase in per capita incomes because of the high population growth (2.9% a year). Economic growth is also insufficient to absorb the 3.5 million secondary school and university graduates joining the labour force every year. So unemployment is increasing, especially among educated youth, and living standards are declining.

The weak growth has made it difficult for Nigeria to meet its external obligations. The country has failed to meet its 2002 debt servicing requirement of \$3.4 billion and has met few of the targets for fiscal consolidation, lower inflation, economic liberalization, and privatization required by the International Monetary Fund. Despite these challenges, the long-term outlook (over the next 5–10 years) remains cautiously positive. Foreign investment is picking up, for example. In February 2002 Shell announced a \$7.5 billion project that will increase oil production in the country by 1.5 million barrels a day.

The optimism in Nigeria's long-term economic outlook stems from two major factors: abundant growth reserves in the form of unexploited natural and human resources, and underused industrial capacity. But Nigeria's recent economic history suggests that the country has rarely committed to the right policy mix to translate its formidable potential into economic performance. Nigeria suffered under the previous military regimes from sub-

stantial leakage of public revenue and dissipation of oil export earnings through mismanagement and political patronage and corruption fuelled by ethnic divisions.

Nigeria's ability to sustain economic growth has also been undermined by its overreliance on oil for both foreign exchange and public revenue. That overreliance has heightened the economy's susceptibility to the vagaries of oil prices.

To ensure sustainable growth and development of the economy, the Nigerian government will need to persevere in maintaining political stability—by improving governance and by providing a durable solution to the rampant ethnic and religious conflicts in the country. It will also need to address the fundamentals underlying its fiscal operations, particularly by building into the federal revenue sharing formula new mechanisms for smoothing out national current spending from oil windfalls. And it will need to commit resources to expanding economic opportunities for Nigerians by opening the economy to international trade and investing in economic diversification and human capital development.

Lessons from North Africa—integration into global markets reduces economic vulnerability and creates new opportunities. The one North African country featured in the report, Morocco, experienced impressive GDP growth in 2001—6.5%, compared with a meagre 0.9% in 2000. But this growth resulted less from the structural adjustments and policy improvements adopted by the government than from the strong agricultural performance, which benefited from particularly favourable weather in 2001. Fully realizing the danger of the country's heavy reliance on agriculture, which has repeatedly proved vulnerable to weather conditions in recent years, the government is taking steps to diversify the economy.

The Moroccan government is also committed to promoting greater integration into global markets, a commitment reflected in policies to attract foreign direct investment from beyond the Middle East and North Africa. These include implementing a transparent privatization programme, removing tariff barriers, reforming financial sector regulations, and strengthening stock exchange operations. The government has also intensified efforts to improve domestic competition, expand rural infrastructure, and reform agriculture—all with the aim of ensuring a more equitable distribution of the gains from trade. Moreover, several improvements have been made in monetary and financial sector policies. The Central Bank has established credibility in maintaining price stability and taken steps to strengthen financial sector supervision and regulation, helping to maintain a healthy banking sector.

Morocco's generally sound macroeconomic environment supports economic diversification and global integration. But the growing budget deficit is emerging as a major threat to reform. Indeed, the deficit remains within an acceptable range only after privatization receipts are taken into account. Once all assets are sold, the government faces a real danger of having to fall back on building up arrears to domestic suppliers and increasing public debt. These are issues that need to be addressed. Success in diversifying the economy away from agriculture and promoting a non-agricultural export sector may also require adopting a flexible exchange rate, a policy advocated by interest groups in tourism and manufacturing. Overall, however, Morocco appears well placed to gain from greater integration into global markets.

The need to track performance across the board

A key part of fostering economic well-being in African countries is having a clear idea of how individual countries are performing. That, indeed, is the main motive for producing the *Economic Report on Africa*.

This year's report shows general improvements in the Expanded Economic Policy Stance Index, which combines quantitative elements of fiscal, monetary, and exchange rate policies with the results of the Country Sustainability Assessment Survey. Those qualitative assessments take into account judicial independence, respect for property rights, the effectiveness of regulatory institutions, and policies to reduce poverty among women. Completed for 23 countries, the index for 2001 shows that 10 have scores rated as good, up from 7 the year before. Nine were rated fair, and 4 poor. South Africa had the top score, inching out Botswana. And Ethiopia moved from fair to good.

In other publications the Economic Commission for Africa will be reporting on country performance in areas important to economic and social development. The Sustainable Development Indicators, improving on previous work for the Economic Sustainability Index, capture country achievements in economic transformation, institutional development, and environmental conservation (see the forthcoming report, *Harnessing Technologies for Sustainable Development*). On overall sustainability, Mauritius, South Africa, and Botswana rank at the top. But they do less well on environmental sustainability. Of 38 countries, Mauritius is among the bottom three, Botswana is 33rd, and South Africa 17th.

The Africa Regional Integration Indicators, just developed by the Economic Commission for Africa, bring together different facets of integration to show how well—or poorly—countries are placed to benefit from external markets. The indicators reveal that Africa's integration has been slow and uneven (see the forthcoming report, *Assessing Regional Integration in Africa*). The average African country conducts only 8% of its trade with other African countries—and 92% with the rest of the world.

The Governance Indicators, also just developed, capture three broad elements: political representation, institutional capacity, and economic management and corporate governance (see the forthcoming *Africa Governance Report*). The indicators are intended to help in monitoring efforts to create and sustain capable states—and to promote broader understanding of what constitutes such states. They should also aid in identifying gaps in institutional capacity.

The way forward—to mutual accountability

Another key part of fostering economic well-being in African countries is having credible commitment mechanisms to reduce the risk of policy reversals and implementation failures. A proposal for an African mechanism was adopted by the Heads of State and Government Implementation Committee of the New Partnership for African Development (NEPAD) in Abuja in March 2002. Following in the spirit of the NEPAD,

the proposed African Peer Review (APR) mechanism will build on the concepts of African ownership and mutual accountability.

The APR mechanism will strengthen African ownership by allowing credible assessments of economic and corporate governance in African countries by Africans. Moreover, it will contribute to accountability, demonstrating to African citizens and the international community that African countries have the political will and commitment to conduct self-monitoring and to take corrective action where needed. And it will promote development by creating systems of good economic and corporate governance—encouraging private investment and enhanced aid flows and thus stimulating growth and poverty reduction. Ideally, the APR process will lead to a convergence of interests for African countries and their development partners.

The APR mechanism also offers the potential to transform African countries' relationships with external partners. By providing a means for assessing progress towards mutually agreed performance targets and standards for both donors and recipients, it will move away from the old model of donor-imposed conditionalities. Mutual accountability is a core element of the new development paradigm endorsed by the NEPAD. And it is a critical part of Africans taking responsibility for the continent's destiny while closing the development gap that has opened over centuries of unequal relations.

The African Peer Review mechanism will not only support mutual accountability. It will also reduce the transaction costs associated with aid recipients' need to negotiate separately with different donors supporting the same project and to account to each of them in turn. It will help eliminate or reduce the tying of aid. And it will help create an environment conducive to greater and more predictable long-term flows of resources.

To be credible and effective, the new peer review mechanism—indeed, the entire set of activities being launched under the New Partnership for African Development—needs to be firmly anchored in rigorous monitoring and evaluation of performance. The *Economic Report on Africa*—with its analysis of trends and prospects and its in-depth country studies—provides some of the technical and analytical underpinnings for those efforts.

