African Perspectives and Views on the Monterrey Consensus

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Within the international community, there is the general feeling and concern that very limited progress has been made in honouring the commitments and hence, meeting the key goals of the Monterrey Consensus in the six core areas. G-8 leaders acknowledged these concerns in their 2006 Summit in St Petersburg as well as in the Heiligendamn Summit held in 2007. It was also the main reason for their decision to launch the Africa Progress Panel (APP) in April 2007 with the objective of working with African countries and their development partners to ensure the delivery of promises made to the continent.

The concern about low delivery on promises has also led African governments to take the lead in monitoring the implementation of commitments by donors through an annual African Ministerial Conference on Financing for Development. The first Conference was held in Abuja, Nigeria, 20-22 May 2006 and the second was held in Accra, Ghana, 30-31 May 2007. Furthermore, African CSOs such as African Monitor have also set up their own mechanisms for monitoring financing development commitments, delivery and impact at the grassroots.[1]

These concerns have led to actions at the international level. Indicative of the worldwide response, the United Nations General Assembly is organizing a "Follow-up International Conference on Financing for Development" in Doha, Qatar, in the second half of 2008 in order to take stock of progress made in the implementation of the Monterrey Consensus, discuss challenges, share best practices and lessons learnt and explore options for moving the development finance agenda forward.

Against this background, ECA conducted a survey of countries in March and April 2007. This chapter summarizes the results, which was unique in that it was the first comprehensive attempt to obtain the views of African countries based on survey data. Previous assessments of progress in the implementation of the Monterrey Consensus in Africa have been based on secondary data published by international organizations. While these are useful in presenting stylized facts, it is often the case that perceptions differ from facts and the former can have a profound impact on the attitudes and behaviour of policymakers. Consequently, it is useful to compare the

1 See, for example, African Monitor (2007), *Baseline Matrix of Development Support Promises and Delivery to Africa*. May 2007.

results of the survey to the published macroeconomic data. It covered the six core areas of the Monterrey Consensus and was based on a set of questionnaires sent out to various experts and government officials located in Central Banks and Ministries of Finance, Planning and Economic Development.

The survey results are helping to ensure that Africa's best interests and concerns are adequately articulated and presented to the international community.

5.1 Sample characteristics

The continent has a heterogeneous group of countries, ranging from oil exporters to island and landlocked economies, and from emerging LDC markets to economies with relatively high income, for example, South Africa and Mauritius. Consequently, development financing needs and concerns differ from country to country.

The survey covered as many countries or groups of countries as possible, in recognition of this heterogeneity.. Two questionnaires were sent to each of the 53 African countries, one to the Central Bank and another to the Ministry of Finance and Planning or a government department in charge of economic development issues. The questionnaires were addressed to Central Bank Governors and Ministers of Finance, Planning or Economic Development in each country and they were asked to select appropriate staff members to complete them.

Of the 106 questionnaires sent to the African policymakers, 57 were returned, representing 32 countries and covering all 5 regions of Africa as well as LDCs, landlocked countries, petroleum exporters, and island economies.[2] Responses were obtained on condition that the names and views of individual countries would not be published. Consequently, in the questionnaires, respondents were not asked to indicate their country. However, they did indicate whether they were LDCs, petroleum exporters, island or landlocked economies.

Twenty-nine (52.7%) of the questionnaires were returned by senior managers, fourteen (25.5%) from middle-level managers, while twelve (21.8%) were returned by lower-level managers. The responses mainly came from Central Banks (50.9%), followed by Ministries of Finance, Planning and Economic Development (40.4%).[3] Only five responses were sent by other government departments.

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2 Note that these groups are not mutually exclusive. For example, some landlocked countries are LDCs and some LDCs are petroleum exporters.

3 For several countries, the completed questionnaires were returned by only one institution: either the Central Bank or the Ministry of Finance.

The questionnaire contained nine parts. Part A dealt with general questions on the characteristics of the respondents. In particular, it identified the managerial level of respondents, whether they work for the Central Bank, Ministry of Finance, or any other government department, and whether they come from a landlocked, LDC or any other country groupings. Part B dealt with the general impressions and opinions of African policymakers on the Monterrey Consensus, while parts C to H focused on opinions in the six core areas of the Consensus. The last part, I, dealt with challenges, constraints and the way forward.

5.2 Overview of the Results

5.2.1 Overall performance

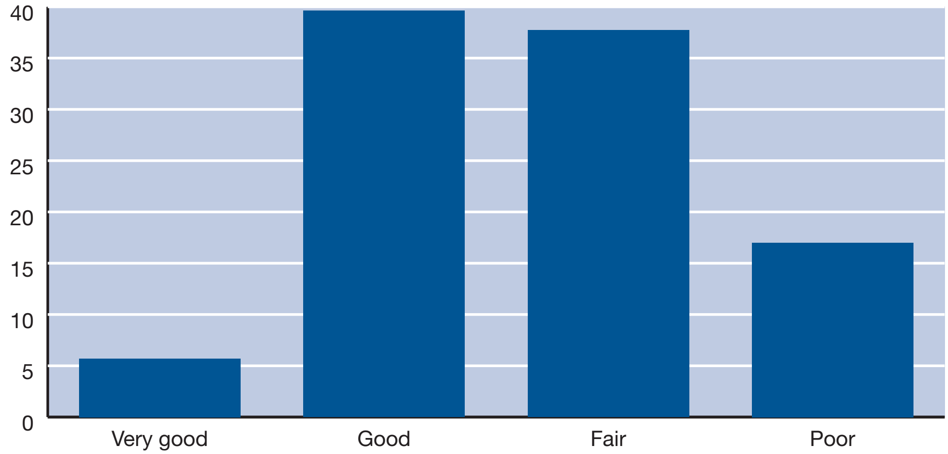
The survey sought to elicit the views of African policymakers on the performance of donors in terms of meeting the general commitments made in the Monterrey Consensus. Figure 5.1 presents the results of the survey. Respondents indicated that donor performance in terms of the commitments of the Monterrey Consensus has been modest - 9.6 per cent rated donor performance as good and 5.7 per cent gave a rating of very good. The majority of the respondents (55%) considered donor performance to be either fair or poor.

Donors, nonetheless, are not responsible for all aspects of the Monterrey commitments. In areas such as domestic and external resource mobilization, African countries have the key role to play in ensuring success. Consequently, the survey also sought the views of African policymakers on their performance in these areas and the results are summarized below.

The results are consistent with the evidence based on published macroeconomic data, which indicate progress in the implementation of the commitments has been modest (table 5.1). Yet, the ultimate objective of the Monterrey Consensus is to enhance growth and reduce poverty in poor countries. Based on recent aggregate data, table 5.1 shows that, economic performance in Africa has only slightly improved since the Monterrey Consensus was adopted in 2002.

Average annual growth of real GDP increased from 3.3 per cent in the pre-Monterrey period (1998-2001) to 4.0 per cent in the post-Monterrey period (2002-2005). In 2007, Africa is expected to grow at 6.2 per cent. There have also been modest improvements in inflation, which declined from 11.8 per cent in the pre-Monterrey period to 9.2 per cent in the post-Monterrey period.

Figure 5.1
Overall rating of donor performance



Source: *ECA Survey of African Policymakers on the Monterrey Consensus, March and April 2007.*

Table 5.1
Selected macroeconomic indicators for Africa (averages)

Indicator	Pre-Monterrey (1998-2001)	Post-Monterrey (2002-2005)
Overall		
Economic growth (%)	3.3	4.0
Inflation (%)	11.8	9.2
Domestic resources		
Savings/GDP (%)	19.0	22.0
Investment/GDP (%)	19.7	20.1
International resources		
FDI (current billion US$)	11.9	18.1
FDI/GDP (%)	2.1	2.4
Trade		
Real export growth(%)	3.7	4.9
Exports/GDP (%)	29.0	33.0
Cooperation		
ODA (current billion US$)	16	28
External debt		
Debt (billion US$)	274.0	293.0
Debt/GDP (%)	62.0	47.0
Total debt service/GDP (%)	5.9	4.4

Sources: *UNECA/AU, 2007; World Bank, 2007; OECD, 2007a.*

With respect to the six areas of the Consensus, the results show that there is most concern about the lack of progress in international trade as an engine of development. About 34.6 per cent of the respondents indicated that this is the area where there has been the least progress (table 5.2). In a sense, this result is surprising given the fact that macroeconomic data show an increase in the growth of real exports from Africa in the post-Monterrey period. Furthermore, the ratio of exports to GDP increased from an average of 29 per cent in the pre-Monterrey period (1998-2001) to 33 per cent in the post-Monterrey period (2002-2005).

That said, the responses are understandable given the extremely low share of Africa in world trade and the increasing frustration of African countries in the Doha Round of trade talks (Osakwe 2007). Respondents also identified the mobilization of international resources and domestic resource mobilization as areas where progress has been very limited. Some 17.3 per cent of respondents identified both of these as areas of concern.

External debt seems to be the only area that only a few (4.9%) identified as an area of "least progress". This is consistent with the macroeconomic data presented in table 5.1, which show a significant reduction in the ratio of external debt to GDP in Africa in the post-Monterrey period.

"Respondents from oil-exporting countries had less positive views than either the full sample or the LDCs, on the degree of progress in the area of international trade"

Table 5.2

Areas of least progress in the Monterrey Consensus (%)

Area	Full sample	LDCs	Oil exporters
Mobilization of domestic resources	17.3	14.0	7.1
Mobilization of international resources	17.3	14.0	14.3
International trade as an engine of development	34.6	34.0	42.9
Increasing international financial and technical cooperation	11.1	16.0	0.0
External debt	4.9	4.0	14.3
Systemic issues	14.8	18.0	21.4
Total	100.0	100	100

Source: *ECA Survey of African Policymakers on the Monterrey Consensus, March and April 2007.*

Respondents from oil-exporting countries had less positive views than either the full sample or the LDCs, on the degree of progress in the area of international trade. About 43 per cent of respondents from oil-exporting countries indicated that it was the area of least progress compared with 34 per cent for the full sample and LDCs (table 5.2). This is surprising given that oil-exporting countries have better access to world markets for their key exports than do LDCs and so one would expect them to have more favourable views in this area than do the LDCs.

When asked how likely it is that the goals of the Consensus would be achieved in their country by 2015, African policymakers were cautiously optimistic. About 38 per cent indicated that it was somewhat likely while 44 per cent considered it less likely. At the two extremes, only 11.1 per cent and 5.6 per cent felt it was very likely or not likely at all. These responses reflect the general mood in the continent that more needs to be done by both African countries and their development partners to enhance the prospects of meeting the goals of the Consensus and those of the MDGs.

“African countries need to rely more on domestic resources to finance development”

Respondents from LDCs had a less favourable response to this question than the full sample. About 60 per cent of the respondents from LDCs indicated that it was less likely that the goals of the Consensus would be achieved in their country by 2015, compared with 44 per cent in the full sample and 45 per cent by oil-exporters.

5.2.2 Mobilizing domestic resources

As reflected in the Monterrey Consensus, there is increasing recognition that African countries need to rely more on domestic resources to finance development. Available macroeconomic data show that average annual ratio of savings to GDP increased slightly from 19 per cent in the pre-Monterrey period to 22 per cent in the post-Monterrey period (table 4.1). Clearly, this is low relative to what is observed in fast-growing economies in East Asia and Latin America and the Caribbean.[4] It is also low relative to the Africa's investment requirements for achievement of the MDGs.

In terms of the questionnaire, 41 per cent of the respondents rated their country's performance in mobilizing domestic savings as good.[5] About 28 per cent felt that it was fair and 25 per cent considered it poor. This is consistent with the evidence from macroeconomic data on savings, which suggests that progress in this area has been modest. That said, 58.9 per cent of respondents indicated that national economic policies have been moderately supportive of the mobilization of domestic resources for development compared with 23.2 per cent of respondents who stated that these policies have been highly supportive and only 17.9 per cent who felt domestic policies were not supportive. Respondents also indicated that a substantial majority of countries (65.4%) have a national development strategy to mobilize domestic resources, though almost 60 per cent stressed that implementation of this strategy has either been low or completely absent.

4 Loayza et al. (2000) discuss the determinants of savings in developing countries. See also Aryeetey and Udry (2000).

5 For LDCs and oil exporters, the figures are 29 per cent and 54.5 per cent respectively. The overwhelmingly positive response from oil exporters may be explained by the fact that recent increases in oil prices have led to a boost in public and hence domestic savings (IMF 2007).

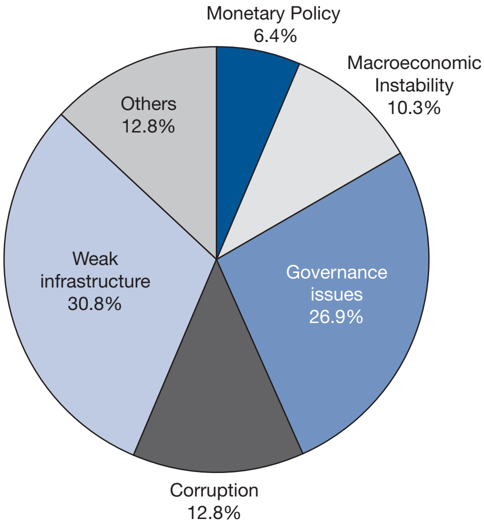
The survey revealed that most respondents felt that the level of domestic savings relative to investment requirements in their country was either low (57.1%) or very low (16.1%). This is in line with the trends reported in table 4.1, which show that savings in Africa have only increased marginally and remain inadequate to meet the financing needs of the continent. As displayed in figure 5.2, responding African policymakers highlighted a number of obstacles that have hindered the mobilization of domestic resources. The greatest obstacle is weak financial infrastructure (30.8%) followed by governance issues (26.9%) and corruption (12.8%).[6]

"The greatest obstacle to resource mobilization is weak financial infrastructure followed by governance issues and corruption"

For oil exporters, the greatest obstacle is governance issues (33%) followed by weak infrastructure (26%). It is not surprising that respondents in the full sample, as well as LDCs, identified weak infrastructure as the major constraint given the widespread scarcity or absence of financial institutions and services in rural areas where the largest segment of the population live. Although banks dominate the financial systems in African countries, they are generally reluctant to set up branches in rural areas and do not play an effective role in mobilizing rural savings.

Figure 5.2

Obstacles to the mobilization of domestic resources



Source: *ECA Survey on the Monterrey Consensus, March and April 2007.*

In terms of the role of the domestic banking system in mobilizing savings, 73.5 per cent of the respondents overwhelmingly indicated that it was only partially effective or entirely ineffective. Reform of the banking sector to improve efficiency as well

6 Financial infrastructure refers to the set of rules, institutions, and systems within which agents carry out financial transactions (see Bossone et al. 2003).

as increasing access of rural households to financial services can play a key role in boosting domestic savings.

> *"Reform of the banking sector as well as increasing access of rural households to financial services can play a key role in boosting domestic savings"*

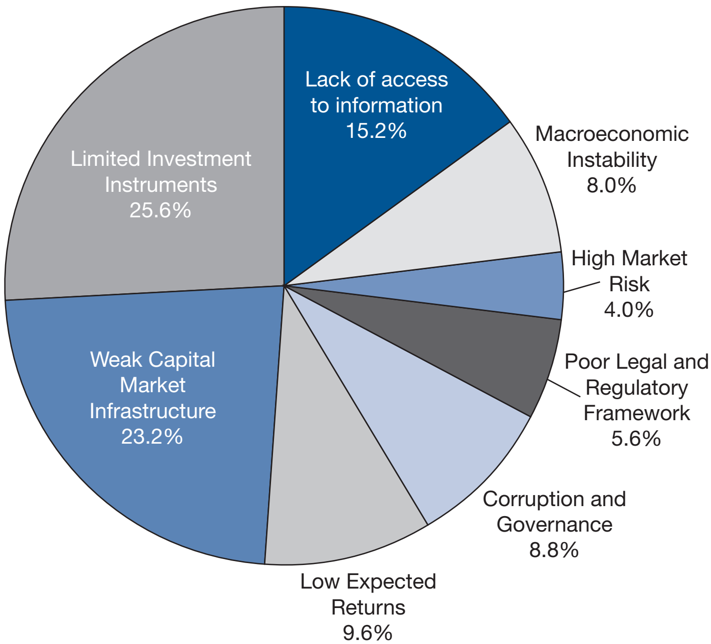
Capital markets can also play an important role. They make it possible to allocate resources efficiently, mobilize domestic and foreign capital, and facilitate privatization efforts. Yet, African countries have not adequately taken advantage of this potential of capital markets for resource mobilization and financial intermediation.

Clearly, capital market development requires building institutions, developing new instruments, and creating or improving legal and regulatory frameworks. As shown in figure 5.3, the main obstacles cited to the mobilization of savings via capital market development are limited investment instruments, weak capital-market infrastructure, and lack of access to information.

African governments need to make more concerted efforts to overcome these constraints that inhibit capital market development. They should also promote macroeconomic stability and a hospitable investment environment by creating incentives for the private sector to increase transactions on the capital market. Macroeconomic uncertainty inhibits capital market activities and also encourages capital flight.

Figure 5.3

Obstacles to use of capital markets for savings mobilization



Source: *ECA Survey of African Policymakers on the Monterrey Consensus, March and April 2007.*

5.2.3 Mobilizing international resources

The Monterrey Consensus underscores the important contribution of international resources, particularly FDI, to financing development. However, FDI in Africa excluding NA has been characterized as low in comparison to other developing regions. It is also concentrated in a few countries and largely targeted to the natural resources sector. It is, therefore, encouraging that macroeconomic data show that, in recent years, FDI flows to the region have been growing strongly in response to high commodity prices and improved macroeconomic stability. Net FDI inflows to Africa increased from an average of $11.9 billion in the pre-Monterrey period to $18.1 billion in the post-Monterrey period.

In line with this trend, a majority of African policymakers in the sample indicated that FDI inflows have improved over the last five years with (17.3 per cent strongly agreeing and 46.2 per cent somewhat agreeing with this statement).

At the same time, most respondents stated that donors had made less progress in mobilizing international resources for development in the continent, with 51.9 per cent and 20.4 per cent identifying progress as either fair or poor, respectively.[7] However, the difficulty in linking donor performance to private capital inflows is that donors can only play an indirect role, through, for example, human capacity development, assisting in building infrastructure, and disseminating information about available investment opportunities.

Domestic government actions affecting the investment climate are more important determinants of success in this area of the Monterrey Consensus. The results also indicate that the vast majority of countries (67.9%) have a national framework/strategy to attract international capital flows such as FDI.

More specifically, the questionnaire responses reveal that changes in the provision of physical infrastructure, a key driver of economic growth, has been only moderate (46.3% of responses) or insignificant (42.6%). Furthermore, respondents felt that support from regional and international institutions for assisting in attracting FDI to infrastructure and other priority areas was moderate (55.6%) or insignificant (31.5%). In comparison to the perception of inadequate donor support, government policies to attract private capital flows were mostly rated as being very good (20.4%) or good (55.6%).

7 The response from oil exporters was quite different from the full sample. Some 90 % of the respondents considered donor performance as fair compared to 51% for the full sample and LDCs.

5.2.4 International trade as an engine of development

> Market access and supply constraints are perceived by African policymakers as the biggest barriers to engaging in international trade

The catalytic role that trade can play in accelerating economic growth and development is widely accepted (McCulloch et al. 2001). Africa's trade position remains marginal as evidenced by the fact that in 2006 its share of global merchandise exports was 2.8 per cent and its share of global export of services was 2.4 per cent (UNCTAD 2007). Nonetheless, as a result of increasing commodity prices, exports are now growing more strongly.

The challenge for African countries is how to sustain this increase in exports and exploit the potential of trade for growth and poverty reduction. In this regard, African countries have a great stake in the conclusion of the WTO Doha Round, which has so far not delivered the gains promised in key areas such as agriculture, non-agricultural market access and development issues.

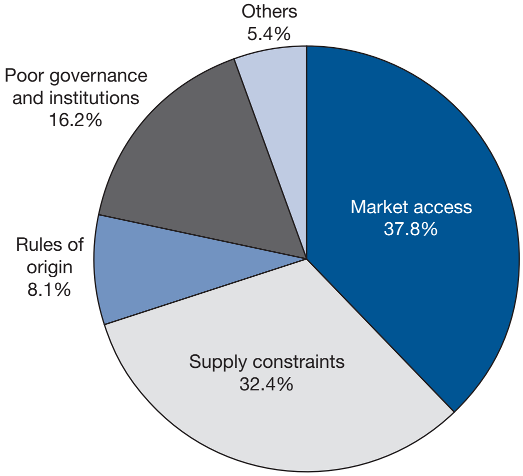
In comparison to other areas of the Monterrey Consensus, the survey results reveal that donor performance in the area of international trade has not been positive, with 77.3 per cent stating that progress was either fair or poor (see figure 5.7). The majority of the responding African policymakers indicated that the degree of access to developed country export markets was inadequate, rating access as fair (38.5%) or poor (34.6%). These perceptions are negative despite the increase in real export growth in the post-Monterrey period, as shown in table 5.1. As indicated earlier, the low share of Africa in world trade and lack of significant progress in concluding the Doha Round are in part responsible for these responses.

Moreover, although there has been an increase in exports, this has been driven by an increase in demand for commodities by the emerging economies of China and India and so it is not clear if it is sustainable. Excessive dependence on commodities increases Africa's vulnerability to external shocks with consequences for macroeconomic instability (Dupasquier and Osakwe 2007a).

Figure 5.4 illustrates the most important barriers to export promotion as cited by respondents. This shows that market access and supply constraints are perceived by African policymakers as the biggest barriers to engaging in international trade. In terms of non-trade policy barriers that countries face, respondents clearly underscored the problem of poor infrastructure (43.5% of responses) followed by other supply-side constraints (35.5%) and being a land-locked country (16.1%). Only 4.8% of responses indicated port inefficiency as a serious barrier to trade.

With respect to government policies, 17.3% of the respondents strongly agreed with the proposition that trade policy has been successfully integrated into national development strategies, while 36.5% somewhat agreed with the proposition.

Figure 5.4
Barriers to export promotion and development



Source: *ECA Survey of African Policymakers on the Monterrey Consensus, March and April 2007.*

> *Recent aid flows tend to be concentrated in a few countries and emergency assistance and external debt relief account for too significant a percentage of aid flows*

5.2.5 International financial and technical cooperation

ODA continues to be a vital source of resources for African countries, particularly those without sufficient capacity to attract private capital flows, such as those countries emerging from conflict (World Bank 2002). As a consequence of recent commitments and a stronger engagement with the continent, ODA to Africa has increased over recent years, reaching an average of $28 billion over the period 2002-2005 (table 5.1). Along with increased ODA flows, there has also been some progress in increasing aid effectiveness.

That said, respondents to the survey indicated that donor performance in the area of international financial and technical cooperation has been better than in such areas of the Monterrey Consensus as trade, though responses are mainly split between a rating of good (40.4%) and fair (42.3%) (see figure 5.8). In addition, 66.1% of respondents felt that donor performance in meeting their commitments on the quantity of aid has been either fair or poor. Furthermore, there is the concern that recent aid flows tend to be concentrated in a few countries and that emergency assistance and external debt relief account for too significant a percentage of aid flows.

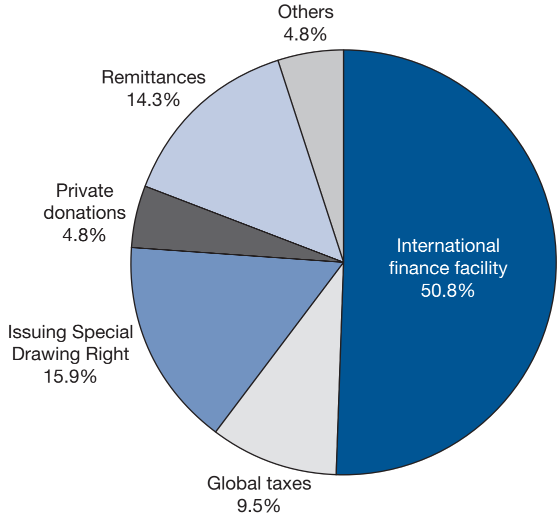
In contrast, the survey results show that African policymakers perceive that more progress has been made in terms of aid efficiency and reduction in the proportion of tied aid than in the quantity of aid. Over 62 per cent of respondents reported that they somewhat or strongly agree with the statement that aid efficiency has improved. Similarly, 75.5 per cent of respondents somewhat or strongly agreed with the proposition that there has been a significant reduction in the proportion of tied aid. These ratings are much higher than those from a recent global evaluation of the Paris Declaration (OECD 2007b).

With the statement that donor actions are more harmonized, transparent and collectively effective, the respondents were quite split, with 48.1 per cent indicating that they somewhat agree with this statement, while 40.4 per cent somewhat disagree with it. At the same time, 64.1 per cent of respondents strongly or somewhat agree with the proposition that aid is aligned with national development priorities.

In terms of establishing more innovative forms of financing for African countries, the survey revealed that most respondents (50.8%) supported the creation of a new international finance facility, followed by the issuing of a special drawing right with a development focus (15.9%) and the mobilization of more remittances (14.3%). The results are presented in figure 5.5. The preference for an international finance facility reflects the general support for this form of financing in both developed and developing countries.

Figure 5.5

Preference for innovative forms of financing development



Source: *ECA Survey of African Policymakers on the Monterrey Consensus, March and April 2007.*

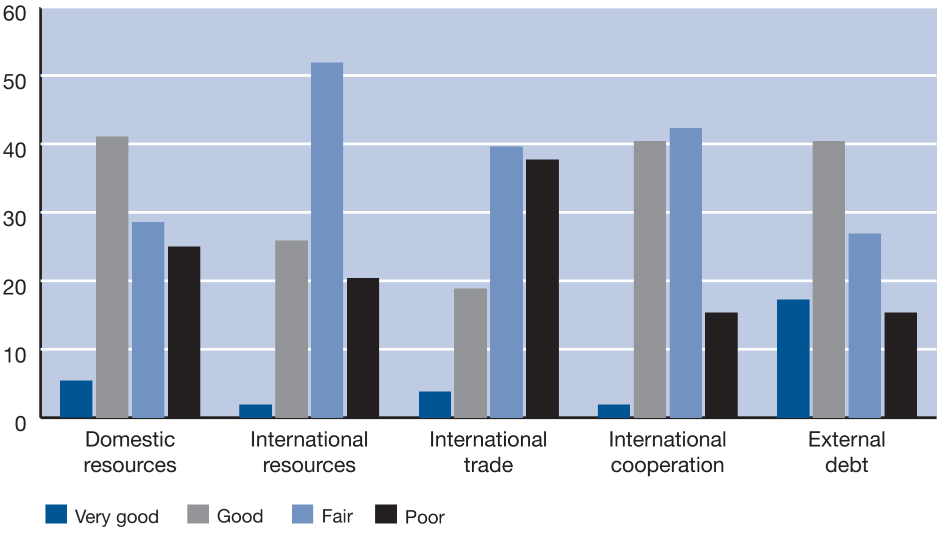
5.2.6 External debt

Facing a persistent financing gap, most African countries have had to borrow from both bilateral and multilateral lenders over a number of decades. Consequently, these countries accumulated large stocks of debt, which they eventually had difficulties servicing. External debt problems constrain spending on social services and infrastructure and lead to a reduction in investment with dire consequences for economic growth and poverty reduction (Krugman 1988; Birdsall and Williamson 2002). Responding to this situation, lenders have accelerated debt relief efforts in recent years under the auspices of HIPC and MDRI. As a result of these debt relief initiatives, the ratio of debt to GDP in Africa dropped from an average of 62 per cent in the pre-Monterrey period to 47 per cent in the post-Monterrey period.[8]

In line with the positive impact seen in macroeconomic data, respondents of the survey indicated that the performance of donors in the area of external debt has been the strongest of all the areas, with 17.3 per cent of respondents stating that the performance was in fact very good and another 40.4 per cent stating it was good (see figure 5.6). Moreover, 24.5 per cent of respondents strongly agreed and 52.8 per cent somewhat agreed with the statement that there has been significant progress in reducing the external debt of African countries. About 70.6 per cent believe that the external debt situation in their country is sustainable. Clearly, these perceptions reflect the impact and awareness of recent debt relief provided by the HIPC, MDRI and bilateral initiatives.

Figure 5.6

Assessment of performance in selected areas of the Monterrey Consensus



Source: *ECA Survey of African Policymakers on the Monterrey Consensus, March and April 2007.*

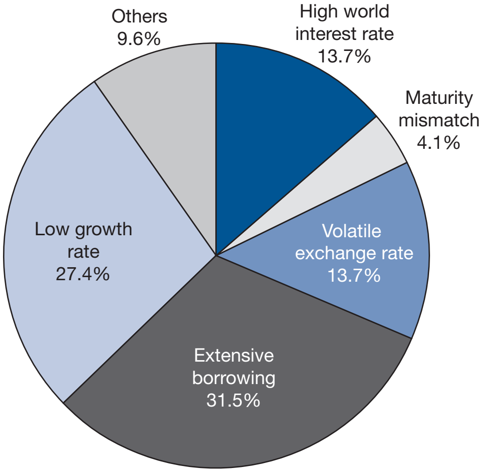
8 Despite the popularity of debt relief, some authors have the controversial view that it is unlikely to stimulate investment and growth in the world's poorest countries because they do not really suffer from a debt overhang (Arslanalp and Henry 2006).

However, there is a sense of caution amongst African policymakers with a vast majority (64.8 per cent) stating that these debt relief initiatives are only somewhat likely to lead to a resolution of the debt problem in Africa, with 11.3 per cent believing that this is not likely to happen at all. The survey results also reveal how respondents perceive the source of the debt problem in their country. As displayed in figure 5.7, the most cited source is extensive borrowing, followed by low growth rate, higher interest rates and volatility of the exchange rate.

"The Monterrey Consensus recognizes the importance of enhancing the coherence, governance, and consistency of the international monetary, financial and trading systems"

Respondents from LDCs had a different view on this issue. Some 35.6 per cent of these respondents felt that the main source of their external debt problem was low economic growth followed by extensive borrowing (26.7 per cent). It is well known that the rate of economic growth has serious consequences for a country's ability to maintain sustainable debt ratios. More importantly, if a country has a sustained growth rate higher than the rate of growth of its debt, it can grow out of debt.

Figure 5.7
Sources of external debt in African countries



Source: *ECA Survey of African Policymakers on the Monterrey Consensus, March and April 2007.*

5.2.7 Systemic issues

In addition to the specific areas raised above, the Monterrey Consensus also recognizes the importance of enhancing the coherence, governance, and consistency of the international monetary, financial and trading systems. During recent years, there have been a number of multilateral dialogues on key systemic issues, improving the governance structure of the international financial institutions and clarifying the role of official financing of emerging markets.

With respect to this area of the Consensus, the survey results indicate that most respondents somewhat disagree (56.6%) with the notion that the current governance structures of financial institutions allow for effective participation of African countries in the global economy. LDCs had a less favourable response on this question with 66 per cent indicating that they somewhat disagree with the question. Nonetheless, most respondents rated the recent efforts to enhance the coherence and consistency of international monetary, financial and trading systems as somewhat satisfactory (52.8%) or satisfactory (24.5%). This may reflect the recognition that WTO has made serious efforts to enhance the participation of African countries in decision-making. It may also reflect an appreciation of the fact that discussions are taking place in a number of international organizations (IMF, World Bank) on how to get poor countries more involved in their decision-making processes.

5.3 Conclusions

Overall, limited progress has been made in realizing the key objectives of the Monterrey Consensus. Although significant progress has been made in the area of external debt, performance in the area of international trade and in external and domestic resource mobilization is far below expectation. Despite efforts by African governments to mobilize domestic resources, savings remains inadequate relative to investment requirements. The banking sector has so far not been effective in mobilization domestic financial resources, especially rural savings. African countries will have to strengthen banking infrastructure as a prerequisite to their enhanced role, and exploit the potential of capital markets and micro-finance institutions for resource mobilization. African countries have also put policies in place to attract private capital flows but the response from foreign investors has so far been weak. FDI inflows have increased, but they are still insufficient and too concentrated in the natural resources sector to accelerate economic growth and development significantly. For an effective development partnership, support from donors, as well as from regional and international institutions is needed in attracting more private capital flows.

Although ODA flows to Africa are on the rise, donors are still not on track to meet their commitments. Moreover, recent aid flows tend to be concentrated in a few countries and social sectors (emergency aid and debt relief). There is need to increase allocation to the productive sectors and also to scale up efforts to improve aid effectiveness. Furthermore, there has been a significant reduction in the external debt burden of African countries as a result of recent debt relief initiatives. Overall, more debt relief needs to be provided and governments should exercise caution in borrowing to ensure debt sustainability.

With respect to systemic issues, efforts have been made in recent times to improve the governance and consistency of international monetary, financial and trading systems. However, Africa needs to achieve more effective participation in decision-making and norm-setting in international monetary, financial and trading institutions.

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