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Doubling Aid: Making the "Big Push" work

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Explanatory notes

The $ sign refers to the US dollar.

Sub-Saharan Africa (SSA): Except where otherwise stated, this includes South Africa.

North Africa: Unlike in the UNCTAD Handbook of Statistics, in this publication Sudan is classified as part of sub-Saharan Africa, not North Africa.

Abbreviations

ADF	African Development Fund
AfDB	African Development Bank Group
AU	African Union
BWI	Bretton Woods institution
CFA	Commission for Africa
CPIA	Country Policy and Institutional Analysis
DAC	Development Assistance Committee (OECD)
DFID	Department for International Development (UK)
ECA	Economic Commission for Africa
EEC	European Economic Community
EIB	European Investment Bank
EU	European Union
FDI	Foreign direct investment
FFD	Financing for development
GDP	Gross domestic product
GFATM	The Global Fund to fight AIDS, Tuberculosis and Malaria
GNI	Gross national income
G8	Group of Eight
HIPC	Heavily Indebted Poor Country Initiative
IBRD	International Bank for Reconstruction and Development (World Bank)

IDA	International Development Association (World Bank)
IFI	International finance institution
ICF	Investment Climate Facility for Africa
IMF	International Monetary Fund
MDGs	Millennium Development Goals
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organization
OAU	Organization of African Unity
ODA	Official development assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PRGF	Poverty Reduction and Growth Facility (IMF)
PRSP	Poverty Reduction Strategy Paper
SAP	Structural adjustment programme
SSA	Sub-Saharan Africa
SWAP	Sector-wide approach
UK	United Kingdom
UNDP	United Nations Development Programme
US	United States of America
USAID	United States Agency for International Development

A. Overview

After two decades of adjustment without growth, there are, at last, some real signs of improving economic performance in Africa. Not only has growth steadily accelerated since the turn of the century, but new trade and investment opportunities, particularly arising from increasing demand in emerging markets such as China and India, hold out hope that this time around it might be sustained. Ongoing efforts at macroeconomic and political reform have been consolidated in many countries, and the launch of the New Partnership for Africa's Development (NEPAD) signalled a willingness on the part of African leaders to confront past mistakes but also to be held accountable for their side of the development bargain. Real progress has also been recorded at the international level on issues such as debt relief and public health and education, which will have a direct bearing on poverty reduction prospects. Perhaps most encouraging of all, the international community, after retreating in the 1990s, has recovered its faith in official development assistance (ODA), with a promise to double aid to Africa by 2015. With the Cold War a fading memory, hopes are high that this aid will not be distorted by political calculations.

However, it would be unwise to lose sight of the magnitude of the challenge. The continent is already behind on meeting the Millennium Development Goals (MDGs) and getting back on track implies, on some estimates, sustained growth of 8 per cent annually for the next decade, well above this year's expected growth of gross domestic product (GDP) of over 5.5 per cent for the continent as a whole. Although high energy and mineral prices have brought large gains to some African countries, increasing average growth rates, so far there has been little impact in terms of reducing poverty and inequality and raising employment. Industrial development remains subdued, at best, while at the same time policy makers in a growing number of countries are having to confront a whole new series of challenges linked to a rapidly expanding urban population.

It is also the case that fresh starts for the continent are nothing new. In the late 1970s, when the region was already exhibiting clear signs of economic slowdown, the Organization of African Unity (OAU) produced the Lagos Plan of Action, a far-reaching reassessment of Africa's links to the global economy. It put the responsibility for the continent's problems, and for finding solutions to them, firmly on the shoulders of African policy makers. The proposed reform agenda, however, was sunk by the combined forces of global economic slowdown and declining commodity prices, leading to a severe debt crisis which engulfed the entire region in the early 1980s. Struggling under severe balance of payments constraints and under considerable pressure from the international financial institutions, aid and loans were extended on condition that countries adopt structural adjustment programmes (SAPs) that would supposedly enable their economies to withstand and benefit from the competitive pressures of a global economy. Instead, the steady worsening of poverty and human development indicators across Africa has forced a rethink by the international community.

With the current proposals to double aid, the credibility of both donors and recipients has been pinned on forming genuine partnerships to "make poverty history" with the MDGs providing a clear reference point and time frame for judging progress. However, there are already signs of slippage. Civil society groups have raised some awkward questions about the inclusion of debt relief as part of the promised increase in aid, about the real volume of aid actually received and about the concentration of flows on a relatively small number of countries. There are also very clear signals that security concerns and energy politics are again shaping the policy debates on aid and development; another scramble for African resources, however, is no more likely to generate a successful development path than in the past. There are, most worryingly of all, growing concerns about the effectiveness of NEPAD as a reliable development framework, along with persistent worries about whether African elites are willing to forsake short-term rent-seeking behaviour for longer-term commitments to productive investments. It would be a mistake for governments to treat these concerns lightly, lest the seriousness of their commitment be questioned by the public in both the donor and receiving countries. All deserve more careful thought