Global Monitoring Report: Findings on Progress since Monterrey

Governance, institutions, and capacity

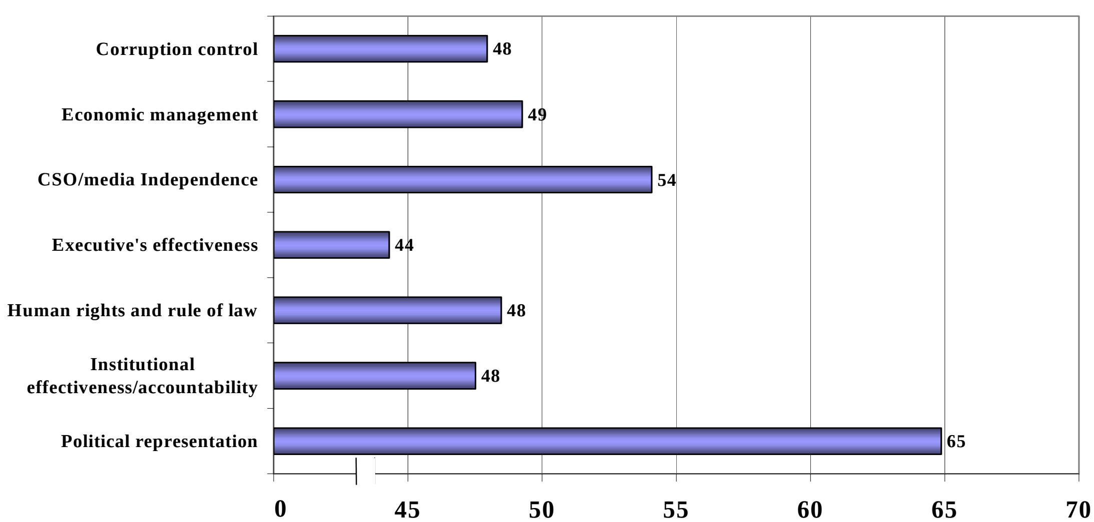
- **A number of developing regions have made considerable progress toward regulatory reform, but Sub-Saharan Africa's progress has been slower.** Sub-Saharan Africa firms view corruption, high taxes, costs and access to finance and electricity as the most significant constraints.

- **The policy and institutional environment in developing countries is continuing to improve.** Along with pursuing sound macroeconomic policies and better public sector management, developing countries have strengthened institutional quality, improved public sector governance, pursued wide-ranging structural reforms, and adopted policies of social inclusion and equity. These improvements have been shown to contribute to faster growth.

- **Over the past decade, Sub-Saharan Africa has made considerable progress on political governance, including the percentage of countries holding competitive multiparty elections.** To help convert this progress into a broader improvement in governance, it will be essential that the Peer Review Mechanism instituted by NEPAD move ahead.

UNECA's 2005 African Governance Report:

Perception of Key Dimensions of Governance (average for 23 African countries)



Note: The scale is from 0 to 100, where scores close to 100 reflect good governance as perceived by the survey respondents.

Source: Survey of national expert/opinion leader panels conducted for the 2005 African Governance Report, published by the United Nations Economic Commission for Africa.

- **Countries have increased, and continue to increase, their capacity to absorb aid productively.** A 2003 World Bank report assessed the capacity of 18 better performing, low-income countries to effectively use more aid to achieve the MDGs. It found that the five large Asian countries in the sample (Bangladesh, India, Indonesia, Pakistan, and Vietnam) could effectively absorb an immediate doubling or more of aid. Overall, the Sub-Saharan countries in the sample were found to have the capacity to use additional aid productively if they continued and strengthened their reforms.

Foreign direct investment and other private flows

- **For most Sub-Saharan countries, the prospects of attracting FDI are constrained.** Costs as a share of lost sales are two to three times larger in Kenya, Tanzania and Zambia than in China and Brazil.

- **Of the 58 countries in this year's *Doing Business* review that reformed regulation or strengthened property rights in the last year, only 8 were in Africa.** In Ethiopia, business registrations increased by 48 percent when the process was simplified in 2003. In Namibia, the cost to expand output fell by 15 percent as a result of more flexible working hours introduced in 2003. Among Sub-Saharan Africa countries which scored 50 or higher on the ease of doing business index in 2005, the correlation with the rate of private investment during the period 1990-2003 was 70 percent.

Trade

- **In 2004 WTO negotiations came back on track, with a package of agreements reached in August.**

- **The proliferation of reciprocal preferential trade arrangements continued in 2004, with activity spread across all regions and countries.**

- **Globally, average tariffs fell by 2 percentage points between 1997 and 2000 and by 1 percentage point between 2000 and 2003.** As measured by most favored nation tariffs, South Asia is the most restrictive region, followed by Sub-Saharan Africa.

- **The share of "aid for trade" activities in total aid commitments rose from 3.6 percent in 2002 to 4.2 percent in 2003.**

Trade Growth (average annual growth rate; percent)

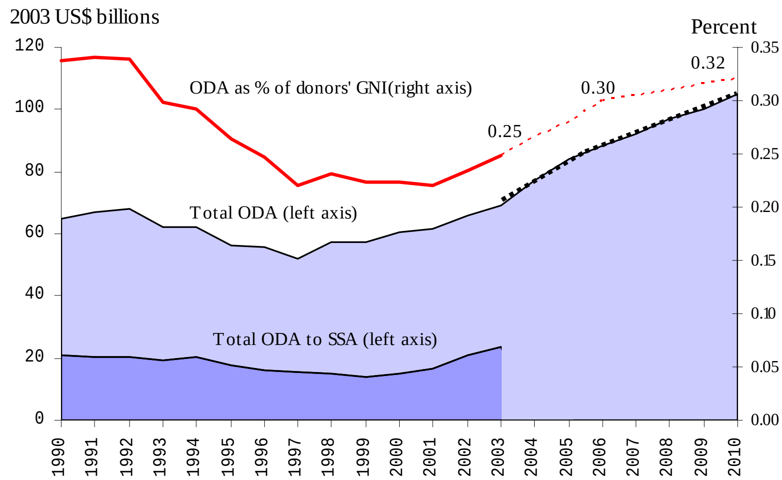
Country group	**1991–95**	**1996–2000**	**2001–03**
Exports			
World	8.7	4.8	5.8
Developing countries	12.2	7.7	7.4
Least developed countries	3.8	10.1	8.4
African least developed countries	0.1	7.3	10.2
Low-income countries	8.7	9.6	8.1
African low-income countries	2.8	12.6	4.2
Imports			
World	8.1	5.2	6.0
Developing countries	13.3	5.3	8.1
Least developed countries	5.8	3.3	12.0
African least developed countries	3.1	1.9	13.3
Low-income countries	9.2	4.4	12.8
African low-income countries	5.2	0.9	16.1

Source: IMF, *Direction of Trade Statistics*.

Aid and aid effectiveness

- **Aid volumes increased by 5 percent in real terms in 2003, a slower pace of expansion than the 7 percent growth recorded in the previous year.** Combined with exchange rate movements and inflation, which accounted for $7.9 billion of the increase in aid volumes in 2003, nominal ODA rose by $10.7 billion to $69 billion.

DAC members' ODA: 1990-2003 and prospects for 2006 and 2010



Note: Prospects for ODA in 2006 and 2010 are based on DAC members' post-Monterrey announced commitments. Not all DAC members have made commitments beyond 2006. *Source:* OECD 2005.

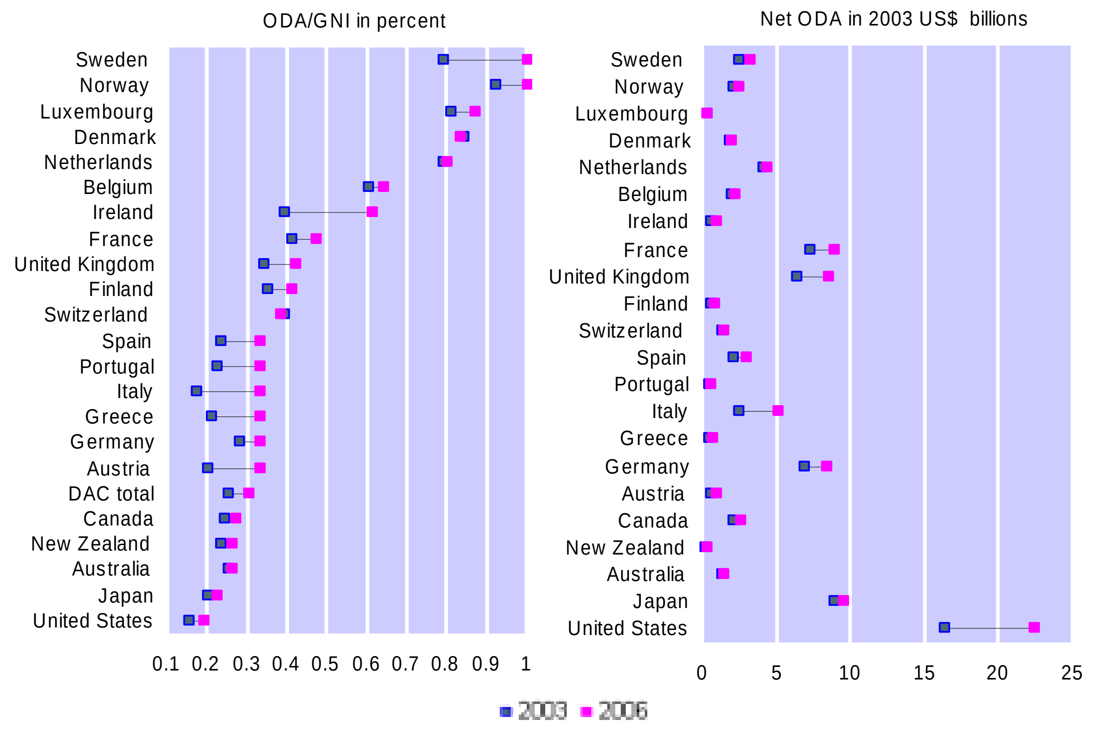
- **ODA as a share of donor GNI in 2003 was 0.25 percent.** Five countries—Denmark, Luxembourg, Netherlands, Norway, and Sweden—have achieved ODA/GNI ratios of 0.7 percent or more, and six countries—Belgium, Finland, France, Ireland, Spain, and the United Kingdom—have announced a timetable. Even on pledges, DAC donors' aid effort is expected to reach only 0.32 percent by 2010, below the level of the early 1990s.

- **Debt relief and technical cooperation account for fully two-thirds of the increase in DAC members' ODA between 2001 and 2003:** $6 billion was allocated to debt relief and $4.8 billion to technical cooperation. At about 17 percent, emergency disaster relief and food aid also represented a significant portion. Thus, the increase in bilateral ODA allocated to program and project assistance was a modest $0.6 billion.

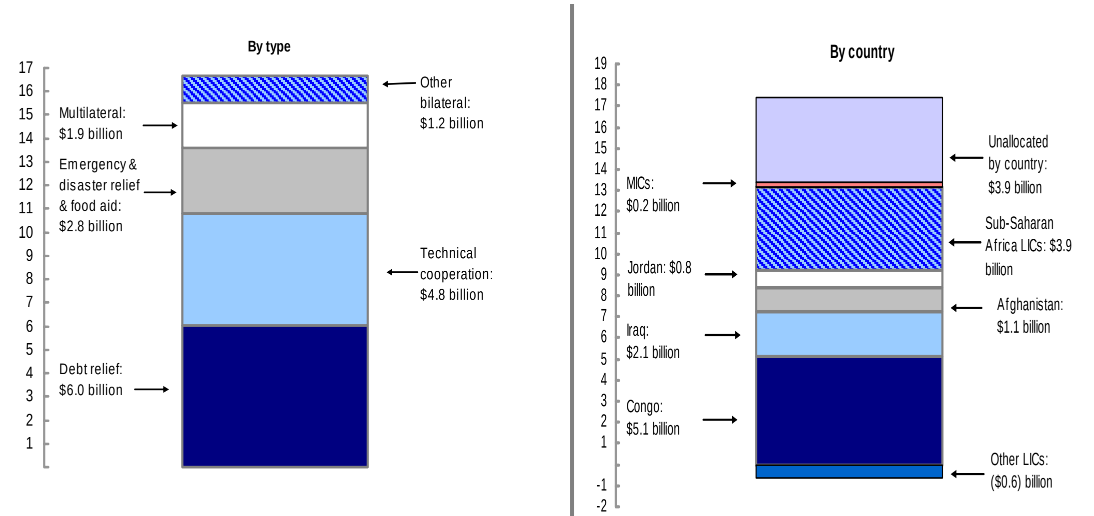
- **Non-OECD countries are contributing significant amounts of assistance to less developed countries.** These flows reached $3.4 billion or 4.9 percent of DAC ODA in 2003. Saudi Arabia is the largest provider of aid in this group: $2.4 billion in 2003. The Czech Republic more than tripled its development assistance in the past two years, providing $91 million in 2003. South-South cooperation is also significant: countries such as Brazil, China, and India have been particularly active in providing technical assistance to low-income countries. Grants from NGOs using their own resources totaled $10.1 billion in 2003 (compared to $8.8 billion in 2002) and are expected to be sharply higher in the aftermath of the East Asia tsunami.

- **The share of Sub-Saharan Africa in total net ODA climbed to 33 percent in 2003—amounting to $23.7 billion.** After debt relief, though, the increment in program and project assistance was a modest $0.6 billion. The increase was concentrated in: Congo (DR), Cameroon, Sudan, Tanzania and Ethiopia.

ODA as a percent of donor GNI and ODA volumes: 2003 and prospects for 2006



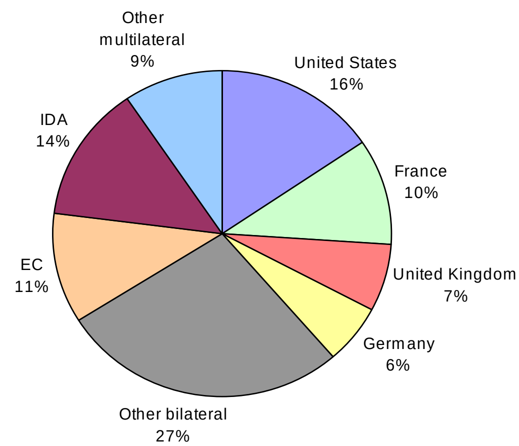
Breakdown of nominal increase in net ODA by DAC donors in 2001-03 (US$ billions)



Total nominal increase in ODA in 2001-03 is $16.7 billion and the real increase is $7.5 billion in 2003 dollars.

Source: OECD DAC Database

Sub-Saharan Africa's largest donors (2001-03)



Source: OECD DAC database.

- **Estimates of MDG financing needs vary widely, but all point to the need for a substantial increase.** At the conservative end of these estimates, an increase in ODA of at least $50 billion is needed.

Millennium Project Report (2005)	Increase over 2003 levels of: $66 billion by 2006 $83 billion by 2010 $126 billion by 2015
Various Development Committee Papers (2003-2004)	Initial increment of at least $30 billion (for MDG investment needs), rising into the $50 billion plus range
Report of the High-Level Panel on Financing for Development (Zedillo Report, 2001)	Approx. an additional $50 billion a year over current levels (for directly supporting the MDGs)
Commission for Africa (2005, preliminary)	For SSA: An additional $25 billion a year (i.e. doubling over current levels) within 3-5 years, followed by an additional $25 billion a year by 2015.

- **Donors are allocating more aid to better performers—those with stronger policies and institutions—and to poorer countries.**

Selectivity in aid allocation

	Official development assistance net of emergency and food grants			
Flow	**Policy selectivity 1999**	**Policy selectivity 2003**	**Poverty selectivity 1999**	**Poverty selectivity 2003**
Total aid	1.57 *	1.77 *	-0.34 *	-0.55 *
Bilateral aid	1.15 *	1.04 *	-0.27 *	-0.47 *
Multilateral aid	2.09 *	2.71 *	-0.68 *	-0.87 *
Five largest donors				
United States	1.37	1.43	-0.77 *	-0.88 *
Japan	3.72 *	1.74 *	-0.23	0.01
France	0.65	1.27	-0.17	-0.32
Germany	1.99 *	3.36 *	-0.24 *	-0.52 *
United Kingdom	2.82 *	3.89 *	-0.47 *	-1.21 *

* Significant at the 10 percent level or higher. *Source*: Levin 2005.

Debt Relief

- **As of November 2004, 27 Highly Indebted Poor Countries (HIPCs) have reached the decision point and are receiving debt relief.** Fifteen HIPCs have also reached the completion point.

Harmonization

- **In terms of flexibility and predictability if aid, for Africa overall, budget support increased from about $1.5 billion in 2002 to about $2.5 million in 2003.**

- **Delegated cooperation is highly limited to 21 percent of donors.** For instance, in Ethiopia, Sweden will delegate its role in the health sector program to Norway, while Norway will delegate its role in the education sector program to Sweden. Less than 8 percent of donor missions were carried out jointly.

Progress on alignment, harmonization, and predictability of aid